THE FREEMAN

IDEAS ON LIBERTY

How Fishing Communities Protect Their Future

Law, Custom, and the Commons

Property Rights and Law Among the Ancient Greeks

Property Rights in the Family

FEBRUARY 1997

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PERSPECTIVE

Understanding Property Rights

This issue of *The Freeman* focuses on property rights, but not in a heavy, theoretical way. Think of it as a potpourri of information on the subject.

You'll have a chance to read about how property rights quiet squabbling children, how property rights preserved natural resources for Native Americans, and how property rights are routinely violated by governments, American and foreign.

As Thomas Sowell points out in *Knowledge and Decisions,* both socialist and free-market countries have property rights. The difference is that in socialist countries the government owns and assigns them. In free-market or capitalist countries, individuals have them and—what is especially important—can transfer them voluntarily through mutual agreement.

My goal is to help us recognize that these *private* property rights are the foundation of a cooperative society (a point that modern "communitarians" have yet to discover). But I also want readers to understand that private property rights aren't always formally described in legal documents. They can be "understood" rather than spelled out, as property rights are in community-run fishing territories. Ownership can be shared by families or clans, rather than individuals alone.

Property rights can change over time. F.A. Hayek described property rights as "a modifiable and very complex bundle whose most effective combinations have not yet been discovered in all areas." Sometimes it's difficult to have full private property rights, even though we have them nominally. As Richard Stroup notes below, even though we have rights against pollution of ourselves or our property, these rights may be difficult to defend.

There's much to be said about private property rights. I hope that these stories will enhance your understanding of what they achieve for our society and why they should be respected.

—JANE S. SHAW, *Guest Editor*

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"3-D" Property Rights

Property rights must be: (1) *defined* clearly so as to reside with a specific person or entity; (2) *defended* easily against non-owners who might wish to use or "steal" the asset; and (3) *divestible*, or transferable, by the owner to others on whatever terms are mutually satisfactory to buyer and seller.

When property has these "3-D" characteristics, and when trades can be transacted easily, the owner of any asset has the incentive and the authority to use that asset in such a way as to maximize its value to society.

The property rights system, like all other human institutions, is imperfect. Sometimes assets and resources are not controlled by property rights complete in all three dimensions. Property rights can be poorly defined, they can be difficult to enforce, or they may not be transferable.

It may be difficult to defend one's property right to clean ground water, for example. In order to protect such rights, a plaintiff before a court of law needs good information, and good information is not free.

Without reliable information on which to base a damage suit, courts are unable to defend property rights effectively against invasion or takings. The polluter is allowed to harm the property of another, without that person's consent.

This problem has been used to justify a great deal of government intervention in the pollution area. Yet it is critical to realize that *the same information problem hampers any policy* intended to deal with hazardous waste [or other pollution]. Government agencies have no better access than the courts to reliable information about the source and effect of pollutants, which is inherently elusive. Without this information, it is impossible to decide rationally how much control is justified. Since expending resources or stifling productive activity reduces society's wealth, such controls should not be taken lightly.

—Richard L. Stroup

(Adapted from "Hazardous Waste Policy: A Property Rights Perspective," in *Environment Reporter,* September 22, 1989.)

Property Rights and Human Rights

Some critics of the free market argue that property rights are in conflict with "human" rights. But the critics fail to realize that in a free-market system, every person has a property right over his own person and his own labor, and that he can make free contracts for those services. Slavery violates the basic property right of the slave over his own body and person, a right that is the groundwork for any person's property rights over nonhuman material objects. What's more, all rights are human rights, whether it is everyone's right to free speech or one individual's property rights in his own home.

A common charge against the free-market society is that it institutes "the law of the jungle," of "dog eat dog," that it spurns human cooperation for competition, and that it exalts material success as opposed to spiritual values, philosophy, or leisure activities. On the contrary, the jungle is precisely a society of coercion, theft, and parasitism, a society that demolishes lives and living standards. The peaceful market competition of producers and suppliers is a profoundly cooperative process in which everyone benefits, and where everyone's living standard flourishes (compared to what it would be in an unfree society). And the undoubted material success of free societies provides the general affluence that permits us to enjoy an enormous amount of leisure as compared to other societies, and to pursue matters of the spirit. It is the coercive countries with little or no market activity, notably under communism, where the grind of daily existence not only impoverishes people materially, but deadens their spirit.

—Murray N. Rothbard

(From the "Free Market" entry in *The* Fortune *Encyclopedia of Economics*, ed. by David R. Henderson [New York: Warner Books, Inc., 1993], pp. 638–639.)

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THE FREEMAN
IDEAS ON LIBERTY

Property Rights and Law Among the Ancient Greeks

by Gregory F. Rehmke

Greek art, architecture, literature, philosophy, and politics clearly mark the beginning of Western civilization. But the Greek contribution to the Western world runs far deeper than its intellectual and artistic accomplishments, its stunning architecture, and its masterful works of philosophy and literature. Greek customs and institutions provided protection to private property unique in the ancient world, and by instilling a strong sense of equality before the law, laid the foundations for Western democracy and the rule of law.

I had long assumed the main Greek contributions to Western civilization were the great philosophical works of Plato and Aristotle, the histories of Thucydides and Herodotus, and the surviving plays of Aeschylus, Euripides, and Sophocles. But taking an art history course on ancient Greece stimulated my curiosity about its economics and politics, and since then I have worked my way through a number of thoughtful books on the Greek world. I don't claim to be an expert on the subject, but I have noticed that many classical experts don't show much appreciation for markets or the role of property rights in economic and cultural progress. Yet here the contributions were also enormous.

Central to the rapid progress of Greek civilization was its very lack of a political center. No great king ruled the Greeks. Instead, dozens and later hundreds of independent *poleis*, or city-states, developed in concert but with full political independence. They flourished, both in Greece and in its colonies around the Mediterranean and Black Seas, from 800 to 300 B.C.

Each city-state became a testing ground for small innovations in laws, economic policies, and political organization. Greeks shared a common heritage, but institutions, customs, and circumstances in each *polis* varied significantly, with totalitarian Sparta and democratic Athens as extremes. City-states whose laws and customs encouraged innovation and wealth creation passed on news of these practices through trade, and exported their laws and institutions by establishing colonies (which competed with the colonies of other Greek cities). Travel and intermingling at the Olympic Games and other athletic and religious festivals cross-pollinated the Greek world, communicating political ideas, economic policies, and business practices between citizens of independent Greek cities.

Cities with relatively high taxes and duties or other barriers to commerce discouraged agricultural and commercial progress and therefore tended to stagnate or decline. The city of Corinth, for example, became the early commercial leader of the Greek world by developing its harbor and port facilities to take advantage of its prime location. By the

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early fifth century B.C., however, Athens had supplanted Corinth as the commercial center of the Greek world. When its policies made it less competitive with Athens, Corinth, which had no political power over other Greek cities, was unable to hold onto its commercial power.

Wars among the early Greeks (before the Persian and Peloponnesian wars) were mostly border disputes between cities, and well-armed farmers mobilized for brief pitched battles. Early Greek cities supported no standing armies, battle strategies were minimal, and casualties in these conflicts were usually light. The citizen infantries or *hoplites* were the key defensive forces for both city and countryside.

The freedom of Greek citizens was based on their membership in a society of equals, unlike hierarchical oriental despotisms where all served their superiors and a king. Freedom meant not that the Greek citizen necessarily enjoyed self-government, but that "however his polity was governed it respected his rights. State affairs were public affairs, not the private concern of a despot."[1] Of course, not all Greeks were Greek citizens; women and slaves had no political rights and neither, in the beginning, did immigrants and other classes of noncitizens who lived and worked in Greek cities. Still, this was wider representation in civic affairs than existed in other ancient civilizations.

"It has often been said," writes F. A. Hayek, "that the ancients did not know liberty in the sense of individual liberty. This is true of many places and periods even in ancient Greece, but certainly not of Athens at the time of its greatness . . . ; it may be true of the degenerate democracy of Plato's time, but surely not of those Athenians to whom Pericles said that 'the freedom which we enjoy in our government extends also to our ordinary life [where], far from exercising a jealous surveillance over each other, we do not feel called upon to be angry with our neighbour for doing what he likes.'"[2] According to Hayek, the Athenian view that citizens should have freedom to live as they pleased influenced the development much later of the rule of law in England.

Protecting Family Property

The powers of the early *polis* were limited by the same Greek tradition that served to protect private property: a deep respect—even worship—of the family. Unlike most states founded with the conquest of one people over another, the Greek *polis* had its origin in pacts, probably for defensive reasons, between neighboring clans and tribes. Each clan or tribe had its own traditions of worship, and each family had a sacred enclosure protecting its sacred hearth and flame. Families governed their own affairs. Even the marking of property boundaries was a religious ceremony. "Thus the men of the early ages . . . arrived . . . by virtue of their belief, at the conception of the right of property; this right from which all civilization springs, since by it man improves the soil, and becomes improved himself."[3]

Though this religion made it difficult to transfer property between families, it provided powerful barriers to the expansion of government. "Every transfer of property needed to be authorized by religion. If a man could not, or could only with difficulty, dispose of land, for a still stronger reason he could not be deprived of it against his will. The appropriation of land for public utility was unknown among the ancients. Confiscation was resorted to only in case of condemnation to exile."[4] Fustel de Coulanges also notes that this strict protection of property rights lasted until the later democratic age of Greek cities.

This higher-law foundation of Greek civilization precluded for centuries active law *making* by tyrants or aristocracies. "Solon, Lycurgus, Minos, Numa, might have reduced the laws of their cities to writing, but they could not have made them. If we understand by legislator a man who creates a code by the power of his genius, and who imposes it upon other men, this legislator never existed among the ancients. Nor did ancient law originate with the votes of the people. The idea that a certain number of votes might make a law did not appear in the cities until very late, and only after two revolutions had transformed them. Up to that time laws had appeared to

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man as something ancient, immutable, and venerable."[5] Aristotle echoes this tradition in the *Politics* when he says that "it is more proper that the law should govern than any of the citizens" and that those appointed to power should be but "guardians and servants of the law." Aristotle condemns governments where "everything is determined by majority vote and not by law" for in such cases "the people govern and not the law."[6]

Sophocles' play *Antigone* turns on the existence of this higher law, which even the king cannot or should not ignore. Antigone, disobeying the direct orders of Creon, the king, buries her brother according to the sacred rituals, and tells the king, "Nor did I think your orders were so strong that you, a mortal man, could over-run the gods' unwritten and unfailing laws. Not now, nor yesterday's, they always live, and no one knows their origin in time. So not through fear of any man's proud spirit would I be likely to neglect these laws. . . ."

Expanding Commerce

The Greeks traded with and drew heavily from civilizations around them, adapting an alphabet from Phoenician traders, for example, and early sculptural styles and skills from Egyptian craftsmen. "So far as we know," F. A. Hayek wrote, "the Mediterranean region was the first to see the acceptance of a person's right to dispose over a recognised private domain, thus allowing individuals to develop a dense network of commercial relations among different communities. Such a network worked independently of the views and desires of local chiefs, for the movements of naval traders could hardly be centrally directed in those days."[7]

But the Greeks were far more dynamic than their ancient neighbors. The Greeks benefited both from a sense of the good life that emphasized the pursuit of individual excellence (*aretê*) and from an entrepreneurial vigor given free rein by political and economic decentralization. Over time and in response to increasing population and changing views, the governments of Greek cities shifted from their ancient clan-based traditions. A series of revolutions swept through the cities, each expanding the protections of Greek law and limiting the power of aristocratic families.

Solon, a successful merchant and accomplished poet, revised Athenian laws in 594 B.C. to grant fuller property rights to a wider range of Greeks. Solon refused to confiscate and redistribute land, but his reforms canceled or reduced debts for small farmers and allowed them to own property—freeing them of their historical clientship to aristocratic families. In addition, Solon encouraged local industry by offering citizenship to craftsmen willing to immigrate to Athens, and encouraged the production and export of olive oil (in part by banning the export of any agricultural products except olive oil). Solon's reforms applied the same law to all citizens and eliminated the privileges of the aristocratic Eupatrids, the network of aristocratic families who had long held political power in Athens.

Across the Greek world, the aristocrats by birth lost their control of public affairs, and were replaced by a new class of citizens who by virtue of independent wealth took over civic responsibilities, including defense. Greek cities prospered during this period. Fustel de Coulanges points out that the "aristocracy of wealth" gave a higher status to labor: "This new government gave the most political importance to the most laborious, the most active, or the most skillful man; it was, therefore, favorable to industry and commerce. It was also favorable to intellectual progress; for the acquisition of this wealth, which was gained or lost, ordinarily, according to each one's merit, made instruction the first need, and intelligence the most powerful spring of human affairs."[8]

The Importance of the Farm

Indeed, as Victor Davis Hanson points out in his recent book *The Other Greeks: The Family Farm and the Agrarian Roots of Western Civilization*, the disciplined life and hard labor on the thousands of small, independent farms developed Greek character, generated Greek wealth, and defended Greek city-states. Our image of the success of ancient Greece, he

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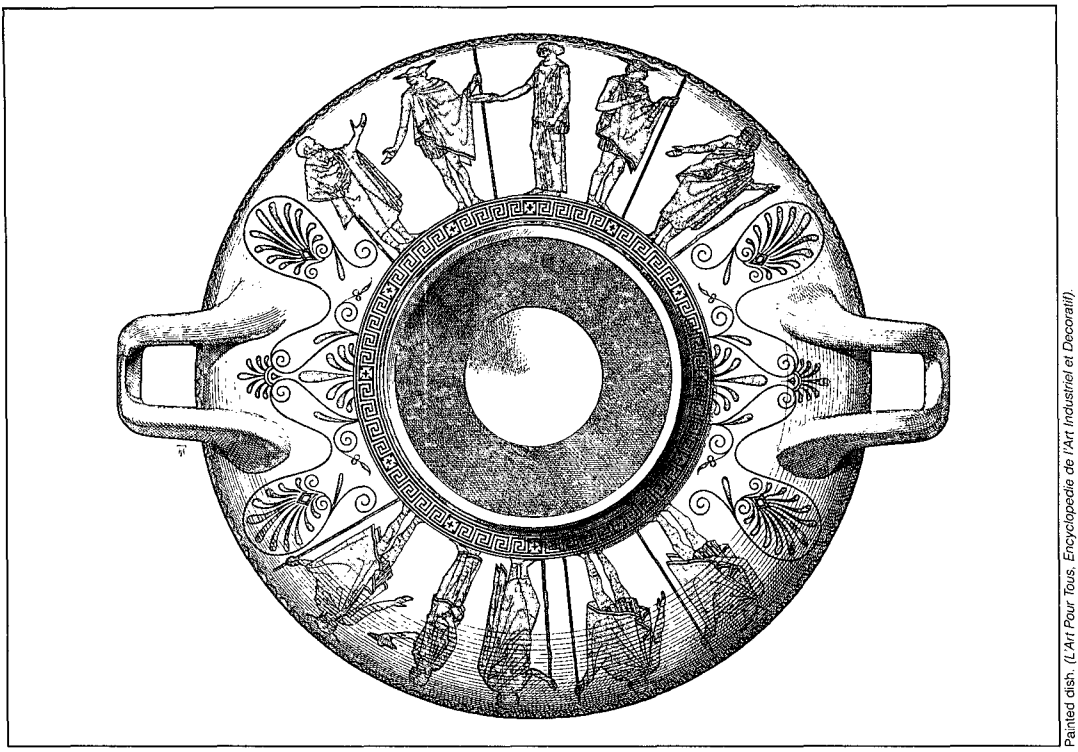

Painted dish. (*L'Art Pour Tous, Encyclopedie de l'Art Industriel et Decoratif*)

argues, is too much shaped by the surviving writings of authors who were members of a later urban elite.

Family-owned and -operated farms provided both the wealth and the *hoplite* defense for early ancient Greek cities. "Their achievement," argues Hanson, "was the precursor in the West of private ownership, free economic activity, constitutional government, social notions of equality, decisive battle, and civilian control over every facet of the military—practices that affect every one of us right now."[9]

These independent farmers carved their farms out of the wilderness around cities and developed apart from the estates long operated by the great aristocratic families. The independent farmers slowly and steadily expanded their holdings through decades of experimentation with crops and improvement of farmlands. Rugged hills and the thin-soiled uneven lands between were gradually brought into cultivation. Crops included cereals, fruit trees, olives, and vines, as well as livestock. Secure property rights were essential for encouraging the long-term investments made by farming families. The year-round cycle of planting, pruning, and harvests both distributed the workload through the year and allowed time for Greek citizen-farmers to participate in the affairs of the *polis*.

The Influence of Homer and Hesiod

The Greeks had no Bible to organize their worship and educate their young. The books that were central to Greek life and education were the *Iliad* and the *Odyssey* by Homer, and Hesiod's *Works and Days* and *Theogony.* The works of Homer and Hesiod appear at the very beginning of widespread Greek literacy, around 750 B.C. These books, learned in childhood and often memorized, deeply influenced the character and culture of all Greeks. Central to *Works and Days* is the idea of private farms owned by individual farmers and a steady disdain for the large estates of the "bribe-swallowing barons." "At all times in the poem," notes Hanson, "private owner-

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ship and thus the theoretical ability of the farm to expand or contract are assumed."[10]

In *Works and Days* Hesiod "exhorts the farmer to labor for profit, yet at the same time to see his farm as more than a mere livelihood. Crucial to that dual idea is work: Hesiod is obsessed with hard labor, distinguishing his farmers from peasants, who hope for little more than general subsistence."[11] Competition between farmers motivates them to work hard and improve their farms: "In a phrase almost reminiscent of Adam Smith, Hesiod sings that the power of competition can 'stir up even the lazy to work, for a man wants work once he sees his neighbor, a rich man, eager to plough, to plant and to put his house in good order.'"[12] Hard work leads to profit and the accumulation of surplus, Hesiod says: "If there is desire for wealth in your heart, then do the following: Work with work on top of work."[13]

The independence of Greek farmers seems to have carried over into the growing manufacturing sectors of Greek cities, for example, the pottery industry in Athens. Athenian potters and painters grew wealthy from their successful workshops, and Athenian pottery was highly prized and often copied around the Greek world.

The success of Western civilization owes much to the unique world-view and institutions passed on to the ancient world and later to the modern world by the Greeks. The sanctity of private property and contract shared by most Greek city-states and by Rome influenced later writers and philosophers who influenced America's founding fathers. Today, when the accomplishments of Western civilization and the institution of private property are under sustained attack in our colleges and universities, the study of ancient Greece and of the classics is in steep decline. What interest there is concentrates on the status of women in ancient Greece or turns to the ancient world for support of various left-wing ideological causes.

Looking on the bright side, however, since most of us were little exposed to ancient Greece in high school or college, we are less likely to be disposed against it. So as adults we have the whole stunning landscape of the ancient world to discover on our own. We can each chart our own course through this stretch of centuries where people first turned the powers of reason upon the natural world, and first turned to the power of the marketplace to launch the Western world on its unique course.

Recommended readings beyond those cited above are: John Boardman, et al., eds., *The Oxford History of the Classical World: Greece and the Hellenistic World* (Oxford University Press, 1991); William I. Davisson and James E. Harper, *European Economic History: The Ancient World* (Irvington Publishers, 1972); Bruno Snell, *The Discovery of Mind in Greek Philosophy and Literature* (Dover Publications, 1982); and Lord Acton's essay "The History of Freedom in Antiquity," in *Essays in the History of Liberty* (LibertyClassics, 1985). □

1. H.D.F. Kitto, *The Greeks* (New York: Penguin Books, 1991), p. 9.
2. F.A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 164.
3. Numa Denis Fustel de Coulanges, *The Ancient City* (Baltimore: Johns Hopkins University Press, 1980 [originally published in 1864]), p. 59.
4. Fustel de Coulanges, p. 63.
5. Fustel de Coulanges, p. 180.
6. Cited in Hayek, *The Constitution of Liberty*, p. 165.
7. F.A. Hayek, *The Fatal Conceit: The Errors of Socialism* (Chicago: University of Chicago Press, 1988), p. 29.
8. Fustel de Coulanges, p. 316.
9. Victor Davis Hanson, *The Other Greeks* (New York: The Free Press, 1995), p. 9.
10. Hanson, p. 98.
11. Hanson, p. 98.
12. Hanson, p. 99.
13. Cited in Hanson, p. 100.

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Property Rights in the Family—and Beyond

by David R. Henderson

In 1991, when I was putting together *The* Fortune *Encyclopedia of Economics*, an economist friend sent me a story from the *Sesame Street Parent's Guide*. I liked it so much that I had my research assistant, Janet Beales, write a shortened version for the *Encyclopedia*. We titled it "Property Rights for Sesame Street."

Here's the story. Katherine Klemp often brought home games and toys to her family of eight children. "I rarely matched a particular item with a particular child," she says. "Upon reflection, I could see how the fuzziness of ownership easily led to arguments. If everything belonged to everyone, then each child felt he had a right to use anything."

So Mrs. Klemp introduced two rules. First, she decided never to bring anything into her house without assigning clear ownership to one and only one child. Second, ownership meant ownership; the owner was not required to share.

The result? Instead of teaching selfishness, property rights promoted sharing. The children, secure in their right of ownership, felt they could afford to share because they could set the sharing rules and, therefore, could always get their toys back. Says Mrs. Klemp, "[Sharing] raised their self-esteem to see themselves as generous persons."

There's an added benefit. Not only do the Klemp children value their own property rights but they also extend that respect to their siblings' possessions. "Rarely do our children use each other's things without asking first, and they respect a 'No' when they get one. Best of all, when someone who has every right to say 'No' to a request says 'Yes,' the borrower sees the gift for what it is and says 'Thanks' more often than not," adds Mrs. Klemp.

The *Encyclopedia* came out in 1993. Last May, one of my students who had bought my book volunteered a story in class. The student, Dale Courtney, has four children, three older children and a newborn. The three children would often fight over who got to use a special bowl or cup. Dale's solution to such fighting was to confiscate the treasured item and throw it away, and to announce that policy in advance.

It wasn't much of a solution, he reported in class. "I was throwing away the family wealth because the fighting and bickering continued."

The Wisdom of . . . Property Rights

That his "Solomon" solution wouldn't work should have been predicted. Each child would figure out that if he or she alone refrained from fighting, the item would still be thrown away, as long as the other two fought. So each child continued to fight, hoping to win early

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before their father intervened and destroyed the item. Each child's dominant strategy, as the game theorists put it, was to fight.

Then Dale Courtney read the article about Mrs. Klemp and her eight children. He was skeptical, but he was also desperate. So he tried Mrs. Klemp's solution.

It worked. "The amount of calm at meals is unbelievable," he said. "Disputes over bowls and cups have simply disappeared."

If these stories about Katherine Klemp's and Dale Courtney's families helped only to solve disputes within families, they would be very useful. A large fraction of the disputes in families are between children over who has the right to use what. But the property rights solution works as well—in fact, better—for society at large. Think of all the fights that take place over schools. Some parents pester state governments and school boards to have the schools teach evolution; other parents, feeling just as strongly, push to have the schools teach creationism. Long, heated battles occur at school board meetings over whether scarce resources should be put into music, or science camps, or sports. In which kinds of schools do these pitched battles take place? In one kind only: tax-funded government schools.

Voluntarily funded schools, so-called private schools, cater to diverse parents, but there are no battles. The difference is property rights.

My wife and I send our daughter to a private school. We don't like everything done by those who run the school. But when we feel strongly enough, we go to see the principal. We don't always get satisfaction. But because property rights are well defined, we know that the decision is ultimately hers. Our main decision is whether to continue sending our daughter there. That suits us fine, since in the aggregate we parents have a fair amount of say over the school. The school must be good enough to earn our tuition payments.

In contrast, no one really owns government schools. Therefore, various groups try to get control of the schools and they succeed in limited and temporary ways. But these groups control it only until other groups get enough strength to take over temporarily. Each group is like one of the eight children in Mrs. Klemp's family before she discovered property rights.

Schools are just one example of how things get messed up when there are no property rights and how property rights solve the problem. Consider another, something that most of us take for granted: traffic jams at rush hour. We fight for space in traffic jams on government-funded roads. One reason is that the government sets the same usage price at 5:00 p.m. as at 3:00 a.m., namely, zero.

We don't typically have to line up to buy the cars that we use at rush hour. Why not? Because we buy those cars from private, for-profit companies that have an incentive to avoid shortages by raising prices (or lowering them, when people aren't buying enough of their products). Would a private, for-profit owner of a freeway price it at zero in rush hour? Unlikely. Just as we don't line up for cars, we would get rid of most severe traffic jams if for-profit or nonprofit firms could have well-defined property rights in roads.

As with families, so with societies. Property rights create harmony where their absence led to chaos. □

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THE FREEMAN
IDEAS ON LIBERTY

Law, Custom, and the Commons

by Randy T. Simmons

Free and unregulated access to scarce resources has long been recognized as a serious problem. Two thousand years ago Aristotle wrote: "What belongs in common to the most people is accorded the least care: they take thought for their own things above all."[1] More recently, the biologist and human ecologist Garrett Hardin argued: "Ruin is the destination toward which all men rush, each pursuing his own best interest in a society which believes in the freedom of the commons. Freedom in a commons brings ruin to all."

Fortunately, however, there are ways to avoid such ruin.

Hardin used an example of a pasture to illustrate how the commons can produce tragedy. As long as grazing on the commonly owned pasture is below carrying capacity, each herdsman may add another cow without harming any cows—they all still have enough to eat. But once carrying capacity is reached, adding the additional cow has negative consequences for all users of the common pasture.

The rational herdsman faced with adding the extra cow calculates his share of the benefits of an additional cow. It is 100 percent. He also calculates his share of the cost. It is 1/n herdsmen; that is, it is the cost divided by the number of herdsmen. So he adds another cow. And another . . . as do all the other herdsmen. Each may care for what is common but can do nothing about it, since one person exercising restraint only assures himself a smaller herd, not a stable, preserved commons.

Thus, the commons is a trap—an individual acting in his self-interest makes himself, along with everyone else, worse off in the long run. Yet acting in the group interest cannot stop the inevitable ruin.

If the commons inevitably leads to tragedy, humans should have killed themselves off thousands of years ago. Instead, people developed ways of making individuals responsible for their own actions.

Responsibility is created by moving people out of a system of open access and creating rights of access and use. Creating such use-rights, therefore, means that a resource is no longer everybody's property. But use-rights are meaningless unless they are protected or enforced with some degree of legal or customary agreement.

The most effective system of responsibility is private property rights because owners are responsible for their own costs and benefits. If you degrade your own property, you suffer the consequences because your wealth is reduced. If, instead, you improve the property, your wealth is increased. You capture the benefits of your actions and pay the costs of them as well. The only exception is when you create

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costs to others by what you do on your own property, such as damming a stream or polluting the air. Legal institutions not only protect people's rights to do what they want with their property but also protect the rights of others ("third parties") to be free from harm caused by others.

Customary Institutions

People have developed other systems of responsibility that, unlike property rights, do not require the legal institutions of the state to make them effective. Customary institutions allow Maine lobstermen, for example, to defend their fishing territories from outsiders and successfully enact informal and formal regulations on the number of traps and the amount of fishing pressure on the lobster resource. Swiss villagers typically own private hayfields and pastures surrounding their village, but high Alpine meadows are owned and used by the whole village. Customs have evolved that determine the intensity and frequency of use. Some African pastoralists hold grazing lands in common when there is plenty of forage, but when forage is scarce village elders allocate grazing rights to individual families.[2] Each of these systems falls short of pure property rights solutions to the commons but each effectively allocates responsibility.

Another approach has been tried, too: political management of a commons. That means that the users collectively make decisions about management, either democratically or by submitting to authoritarian decision-making. However, this approach is inherently irresponsible.

Political managers do not capture the benefits of decisions that increase the wealth of their society, nor do they pay the costs of decisions that reduce wealth. True, as members of the society they gain their proportional share from good or bad decisions. But their share of loss or gain is so small that it approaches zero.

Under political management, users, too, are protected from responsibility. Because the costs of decisions are shared collectively, there is a tendency for individuals to act like the herdsman with cows in the commons—to seek benefits for oneself regardless of the costs to others. Wants can be presented as needs, information about the effects of one's actions can be suppressed, and the preferences of the politically able can substitute for sound management choices.

Rather than overcoming the tragedy of the commons, political management institutionalizes the core problem. In the irresponsible political environment, rules and choices will be structured to benefit the politically powerful, not to benefit the human or natural environment. The formerly communal forests of India, Nepal, Niger, and Thailand are well-known examples. Stable, customary use-rights had prevented the tragedy of the commons. But these were replaced by political controls imposed by national governments. The results were disastrous levels of deforestation and soil erosion, as villagers were released from their culturally and communally enforced use-rights and responsibilities.

If societies are to protect scarce resources, including human liberty, systems of responsibility must be protected, encouraged, and implemented. No one system fits every situation. Cultural, customary, or informal arrangements are often the most appropriate. Sometimes *de facto* as opposed to *de jure* use-rights are best. Other times, pure property rights will be preferred. It is important, however, that governments not impose "solutions" on local people. Local institutions reflect an evolved wisdom that may not be apparent to policymakers who wish to impose political control or privatization. □

1. Aristotle, *The Politics,* translated by Carnes Lord, Book 2, Chapter 3 (Chicago: University of Chicago Press, 1984), p. 57.

2. For more discussion and examples of customary rights, see Terry L. Anderson and Randy T. Simmons, *The Political Economy of Customs and Culture* (Lanham, Md.: Rowman & Littlefield, 1993).

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Homeschool Heroes

Of all the ingredients in the recipe for education, which one has the greatest potential to improve student performance?

No doubt the teachers unions would put higher salaries for their members at the top of the list, to which almost every reformer might reply, "Been there, done that." Teacher compensation has soared in recent decades at the same time every indicator of student performance has plummeted.

Other answers include smaller class size, a longer school year, more money for computers, or simply more money for fill-in-the-blank. The consensus of hundreds of studies over the past several years is that these factors exhibit either no positive correlation with better student performance or show only a weak connection. On this important question, the verdict is in and it is definitive: *The one ingredient that makes the most difference in how well and how much children learn is parental involvement.*

When parents take a personal interest in the education of their children, several things happen. The child gets a strong message that education is important to success in life; it isn't something that parents dump in someone else's lap. Caring, involved parents usually instill a love of learning in their children—a love that translates into a sense of pride and achievement as knowledge is accumulated and put to good use. Time spent with books goes up and time wasted in the streets goes down.

American parents were once responsible for educating their children. Until the late nineteenth century, the home, the church, and a small nearby school were the primary centers of learning for the great majority of Americans.

In more recent times, many American parents have largely abdicated this responsibility, in favor of the "experts" in the compulsory public school system. According to a 1996 report from Temple University in Pennsylvania, "nearly one in three parents is seriously disengaged from their children's education." The Temple researchers found that about one-sixth of all students believe their parents don't care whether they earn good grades and nearly one-third say their parents have no idea how they are doing in school.

Amid the sorry state of American education today are heroes who are rescuing children in a profoundly personal way. They are the homeschoolers—parents who sacrifice time and income to teach their children themselves. Homeschooling is the *ultimate* in parental involvement.

Teaching children at home isn't for everyone and no one advocates that every parent try it. There are plenty of good schools—many private and some public—that are doing a better job than some parents could do for their own children. But the fact is that homeschooling is working—and working surprisingly well—for the growing number of parents and children who choose it. That fact is all

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the more remarkable when one considers that these dedicated parents must juggle teaching with all the other demands and chores of modern life. Also, they get little or nothing back from what they pay in taxes for a public system they don't patronize.

While about 46 million children attend public schools and more than 5 million attend private schools, estimates of the number of children in homeschools nationwide range from 900,000 to 1.2 million. That's a comparatively small number, but it's up from a mere 15,000 in the early 1980s. In fact, homeschool enrollment has been growing by an astounding 25 percent annually for several years.

Parents who homeschool do so for a variety of reasons. Some want a strong moral or religious emphasis in their children's education. Others are fleeing unsafe public schools or schools where discipline and academics have taken a backseat to fuzzy "feel-good" or politically correct dogma. Many homeschool parents complain about the pervasiveness in public schools of trendy instructional methods that border on pedagogical malpractice.

Homeschool parents are fiercely protective of their constitutional right to educate their children. In early 1994, the House of Representatives voted to mandate that all teachers—including parents in the home—acquire state certification in the subjects they teach. A massive campaign of letters, phone calls, and faxes from homeschoolers produced one of the most stunning turnabouts in legislative history: By a vote of 424 to 1, the House reversed itself and then approved an amendment that affirmed the rights and independence of homeschool parents.

Critics have long harbored a jaundiced view of parents who educate children at home. They argue that children need the guidance of professionals and the social interaction that come from being with a class of others. Homeschooled children, these critics say, will be socially and academically stunted by the confines of the home. But the facts suggest otherwise.

A 1990 report by the National Home Education Research Institute showed that homeschooled children score in the 80th percentile or higher, meaning that they scored better than 80 percent of other students in math, reading, science, language, and social studies. Reports from state after state show homeschoolers scoring significantly better than the norm on college entrance examinations. Prestigious universities, including Harvard and Yale, accept homeschooled children eagerly and often. And there's simply no evidence that homeschooled children (with a rare exception) make anything but fine, solid citizens who respect others and work hard as adults.

Homeschool parents approach their task in a variety of ways. While some discover texts and methods as they go, others plan their work well before they start, often assisted by other homeschoolers or associations that have sprung up to aid those who choose this option. Common to every homeschool parent is the belief that the education of their children is too important to hand over to someone else.

Writing in the July 1996 issue of *Reason* magazine, Britton Manasco argues that the growth of CD-ROMs, Internet services, and computerized educational networks is likely to make homeschooling even more attractive to parents. For a tiny fraction of what a printed version might cost, one software publisher is offering a classic books program that incorporates more than 3,500 unabridged literary works, complete with hundreds of video clips and illustrations. A support group in Ann Arbor, Michigan, provides inexpensive on-line help, resources, and evaluations for thousands of homeschool children worldwide. Another organization links first-rate instructors and homeschool students from all over the country via computer in a college preparatory program that includes a core curriculum for about $250 per course.

In every other walk of life, Americans traditionally regard as heroes the men and women who meet challenges head-on, who go against the grain and persevere to bring a dream to fruition. At a time when more troubles and shortcomings plague education and educational heroes are too few in number, recognizing the homeschool heroes in our midst may be both long overdue and highly instructive. □

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THE FREEMAN
IDEAS ON LIBERTY

Property Rights Among Native Americans

by Terry L. Anderson

Chief Seattle, a nineteenth-century Native American leader, is often quoted as saying, "All things are connected like the blood which unites one family. Whatever befalls the earth, befalls the sons of earth."

Those who invoke these words are usually attempting to convey the impression that Native Americans were guided by a unique environmental ethic. Yet the words in the oft-quoted speech are not actually those of Chief Seattle. And the message of the speech does not ring true, either. For Native Americans, traditions and customs—including property rights—were more important in encouraging careful use of resources than was an environmental ethic, however important that ethic may have been.

It turns out that the words supposedly spoken by Chief Seattle were written by Ted Perry, a scriptwriter. In a movie about pollution, he paraphrased a translation of the speech that had been made by William Arrowsmith (a professor of classics). Perry's version added a lot.[1] Perry, not Chief Seattle, wrote that "every part of the Earth is sacred to my people." (Perry, by the way, has tried unsuccessfully to get the truth out.)

The speech reflects what many environmentalists want to hear, not what Chief Seattle said. The romantic image evoked by the speech obscures the fact that, while there were exceptions that led to the "tragedy of the commons," generally American Indians understood the importance of incentives. Property rights, supplemented by customs and traditions where appropriate, often produced the incentives that were needed to husband resources in what was frequently a hostile environment.

Personal ethics and spiritual values were important, as they are in any society, but those ethics and values worked along with private and communal property rights, which strictly defined who could use resources and rewarded good stewardship.

Indian land tenure systems were varied. While some ownership was "completely or almost completely communal," other ownership was more like today's fee simple.[2] The degree of private ownership reflected the scarcity of land and the difficulty or ease of defining and enforcing rights.

Because agricultural land required investments and because boundaries could be easily marked, crop land was often privately owned, usually by families or clans rather than individuals. For example, families among the Mahican Indians in the Northeast possessed hereditary rights to use well-defined tracts of garden land along the rivers. Europeans recognized this ownership, and deeds of white settlers indicate that they usually approached lineage leaders to purchase this land. Prior to European contact, other Indian tribes recog-

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nized Mahican ownership of these lands by not trespassing.[3]

Farther from the rivers, however, where the value of land for crops was low, it was not worth establishing ownership. As one historian put it, "no one would consider laying out a garden in the rocky hinterlands."[4]

In the Southeast, where Indians engaged in settled agriculture, private ownership of land was common. "The Creek town is typical of the economic and social life of the populous tribes of the Southeast," writes historian Angie Debo. "Each family gathered the produce of its own plot and placed it in its own storehouse. Each also contributed voluntarily to a public store which was kept in a large building in the field and was used under the direction of the town chief for public needs."[5]

Hunting, Trapping, and Fishing

Customary rights governed hunting, trapping, and fishing. These rights "were often expressed in terms of religion and spirituality rather than of science as we understand it today," writes Peter Usher. "Nonetheless, the rules conserved the resource base and harmony within the band."[6]

Hunting groups among the Montagnais-Naskapi of Quebec between Hudson Bay and the Gulf of St. Lawrence recognized family and clan hunting areas, particularly for beaver when it became an important trade item.[7] Similar hunting groups and rules existed in other regions. In New Brunswick, report anthropologists Frank G. Speck and Wendell S. Hadlock,[8] "some of the men held districts which had been hunted by their fathers, and presumably their grandfathers." They even had a colloquial term that translates to "my hunting ground."

The Algonkian Indians from the Atlantic to the Great Lakes "carried on their hunting in restricted, family hunting territories descending from generation to generation in the male line," says Speck.[9] "It was in these family tracts that the supply of game animals was maintained by deliberate systems of rotation in hunting and gathering, and defended by the family groups as a heritage from some remote time when the country had been given to their ancestors by the Creator."

Among Plains Indians, who depended on the buffalo, property rights and rules about who had precedence provided the incentives for successful hunts. The successful hunter was "entitled to keep the skin and some choice portion of the meat for his family," writes one historian.[10] The hunters marked their arrows distinctively, so after the hunt, the arrows in the dead buffalo indicated which hunters had been successful.[11] Disputes over whose arrow killed the buffalo were settled by the hunt leader. Poorer families followed the hunt and depended on the charity of the hunters for meat.[12]

It took strong, well-disciplined horses to run into a stampeding buffalo herd and keep up with the stronger buffalo. If an owner decided to lend his horse for a chase, payment was expected. The chase was dangerous and a loaned horse might be injured. Generally, the responsible borrower who had taken reasonable precautions to prevent injury did not have to pay damages, but the irresponsible borrower was forced to replace the lost horse.

As with hunting, Native Americans often specified fishing territories. In the Pacific Northwest, Indians had well-defined salmon fishing rights. To capture salmon returning from the ocean to spawn in freshwater streams, Indians placed fish wheels, weirs, and other fixed appliances at falls or shoals where the fish were naturally channeled.[13] Their technology was so efficient that they could have depleted salmon stocks, but they realized the importance of allowing some of the spawning fish to escape upstream. Economist Robert Higgs quotes a Quileute Indian born about 1852: "When the Indians had obtained enough fish they would remove the weirs from the river in order that the fish they did not need could go upstream and lay their eggs so that there would be a supply of fish for future years."[14] In many cases the fishing sites were bequeathed from father to son.

Personal items were nearly always privately owned. Clothes, weapons, utensils, and housing were often owned by women, for whom they provided a way to accumulate personal wealth. For the Plains Indians, the tepee

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offers an example of private ownership. Women collected enough hides (usually between eight and 20), tanned and scraped them, and prepared a great feast where the hides were sewn together by the participants.

These are just a few examples showing that Indians, like people everywhere, often relied on property rights to encourage the efficient and careful use of resources. An environmental ethic, however strong, was not enough. □

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2. John M. Copper, "Indian Land Tenure Systems," in *Indians of the United States,* 1949 (Contributions by Members of the Delegation, and by Advisers to the Policy Board of the National Indian Institute, for the Second Inter-American Conference on Indian Life, Cuzco, Peru.)

3. Ted J. Brasser, "Riding on the Frontier's Crest: Mahican Indian Culture and Culture Change." Paper No. 13 (Ottawa: National Museum of Canada, Ethnology Division, 1974), p. 14.

4. Brasser, p. 7.

5. Angie Debo, *A History of the Indians of the United States* (Norman, Okla.: University of Oklahoma Press, 1970), pp. 13–14.

6. Peter J. Usher, "Property as the Basis of Inuit Hunting Rights," in *Property Rights and Indian Economies,* ed. by Terry L. Anderson (Lanham, Md.: Rowman & Littlefield, 1992), p. 50.

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9. Frank G. Speck, "Aboriginal Conservators," *Bird Lore,* Vol. 40 (1939), pp. 258–259.

10. Julian H. Steward, *Basin-Plateau Aboriginal Sociopolitical Groups,* Smithsonian Institution, Bureau of American Ethnology, Bulletin 120 (Washington, D.C.: GPO, 1938), p. 253.

11. John C. Ewers, *The Horse in Blackfoot Indian Culture* (Washington, D.C.: Smithsonian Institution Press, 1969), p. 160.

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13. Anthony Netboy, *Salmon of the Pacific Northwest: Fish vs. Dams* (Portland, Ore.: Binfords & Mort, 1958), p. 11.

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THE FREEMAN
IDEAS ON LIBERTY

How Fishing Communities Protect Their Future

by Donald R. Leal

At the beginning of this century, violence periodically erupted among the community of fishers of Valensa, Brazil. They fought over access to prime fishing spots on the adjacent estuary, and they fought when one type of gear became entangled in another. Fishers were spending more time fighting and untangling gear and "fishing" became a costly endeavor with little return. To solve this predicament, local fishers got together and worked out their own set of rules.

They assigned fishing spots and drew lots to determine the order in which each one could use a particular spot. And they divided the estuary into different fishing zones, with only one type of gear allowed in each zone. Fishing became a productive activity for local fishers.

The local fishery remained productive for decades. But in the middle of the century, the Brazilian government decided to modernize the fishery. The government made new nylon nets available to anyone who qualified for a bank loan arranged by the government through the Bank of Brazil.

Local fishers did not qualify for the loans and did not have enough capital to purchase the nets on their own. A few wealthy individuals around Valensa did qualify for the loans, and purchased the nylon nets. They hired men who had never fished the estuary before to use the new nets. The local fishers' management system crumbled. Old and new fishers fought over fishing spots. Eventually, the fishery was overharvested and abandoned.[1]

The Valensa fishery illustrates what is missing in fishing policies around the world. Fishing communities can often establish rules and customs that avoid the "tragedy of the commons." All too often, governments fail to support these arrangements and sometimes destroy them irrevocably.

In many coastal waters today, the tragedy of the commons is taking its toll. Severe overfishing is leading to economic ruin, in spite of years of governmental restrictions on gear, catch, and seasons.

Yet the experience of other communities shows that it is possible to avoid this situation through self-regulation that relies on common traditions and rules. Research by Elinor Ostrom has shown that self-regulation can occur where communities have strong local traditions, where boundaries are well defined, where rules are appropriate, and where sanctions are imposed when rules are violated.[2]

The Lobstermen of Matinicus, Maine

Indeed, there is a rich history of community-run fisheries that avoid the tragedy of the commons. Take, for example, lobster

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fishing off Matinicus Island, Maine, which has been studied by anthropologists Francis P. and Margaret C. Bowles. Fishers claim a well-defined area of approximately 77 square miles around the island.

The island's lobster fishery has operated successfully for over a century despite many changes—including expansion into regional markets and dramatic improvements in boat style, fishing technology, and navigational equipment. While the number of fishers has deviated little from the original number of 36, fishers move in and out of the fishery. Over the 1970–1982 period, the Bowleses observed that 21 men entered or left the fishery.[3]

Island fishers strictly control who will be accepted into their fishery. One must either live on the island and have island kinship ties or purchase property from a local fisher, who then becomes an informal sponsor. In addition, one must demonstrate a willingness to cooperate with other fishermen and respect their fishing rights and equipment. An individual must also make the necessary investment of wharf access, boat, and traps, an investment that totaled roughly $125,000 in the 1980s.[4]

Fishers actively defend this territory through extralegal means. The Bowleses write that fishers will "signal a territory violation by opening the door and tying a half hitch around the buoy of an outsider's trap. If this signal is ignored, an island lobsterman may haul up the outsider's traps and dump them together so that the buoys and warps become tangled."[5] If these don't work, the fishers may cut traps.

James Acheson, who also studied lobster fisheries off Maine's coast, points out that these arrangements lead to conservation as fishers limit the number of traps they use.[6] Acheson found that local incomes of fishers in the area are almost 40 percent higher than incomes of lobster fishers in the more open areas off Maine's coast. And fishing is twice as productive.[7]

Self-imposed restrictions in lobstering have existed for over a century. Still, Acheson points out that the Maine government could stop the arrangement at any time by vigorous enforcement of laws affecting trap-cutting. The system exists only because of "the benign neglect of the state," he writes.[8]

Scottish Salmon Fisheries

While the state of Maine has simply looked the other way, in a few instances governments actively support community-run management. One example is the management of salmon fisheries in Scotland.

Scotland has had private, transferable rights to salmon fishing for centuries, both in coastal and inland waters. The right to fish for salmon carries with it the right to exclude other fishers from a well-defined area of water.

In addition, Parliament has created 101 salmon fishery districts. Owners of fishing rights in each district form a District Salmon Fishery Board, which taxes its members and uses funds to protect and develop the fishery. Although the government sets some bounds, such as setting fishing dates, each owner is free to determine the level of fishing effort.

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There is no licensing of fishers or fishing gear and no restriction on the amount of fishing gear or the amount of fish that can be taken.

Despite the absence of extensive government controls, Scottish salmon stocks have not been overfished by commercial fishers. Indeed, the fisheries support a lucrative inland salmon sport fishery on famous rivers such as the lower Tay, Tweed, and the Spey. Recently, the Atlantic Salmon Conservation Trust (Scotland) Ltd. purchased commercial rights and retired them. The goal: to increase salmon returns for the upstream sport fishery.[9]

Scotland's salmon fishery, based on private fishing rights, is a success story. However, it is not alone. Where communities can apply and enforce customary rights, they, too, can avoid the "tragedy of the commons." Legal recognition of their informal rights would go a long way toward ensuring a productive future for community-run fisheries. □

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THE FREEMAN
IDEAS ON LIBERTY

How Property Rights Can Spur Artificial Reefs

by Michael De Alessi

Small fishing communities knew what they were doing when they created the first artificial reefs out of rocks and logs hundreds of years ago. When large, heavy objects are dropped into the sea, they attract and propagate large numbers of fish. In Japan, traditional fishing communities have evolved into cooperatives that own the reefs outright, and this secure ownership is the reason why their reefs are well protected, productive resources.

Unfortunately, private rights to the seabed are virtually nonexistent in the United States.[1] Artificial reef creation has generally been the province of state conservation departments since the 1950s. These departments have made artificial reefs offshore out of everything from old tires, coal ash blocks, and automobiles to decommissioned ships and oil rigs. Often, this is at the behest of private sports fishing or diving interests.

But in one state, Alabama, artificial reefs can be privately owned—sort of. Private citizens are allowed to create artificial reefs. The state provides no defense of this ownership, however. If others learn about the reef, they can use it, too, so the property right is marginal at best. Even so, the most tenuous private property right related to reefs—simply having proprietary information on the exact location of a reef—results in a tremendous private initiative to create such reefs.

Mr. De Alessi is coordinator of the Center for Private Conservation, a project of the Competitive Enterprise Institute in Washington, D.C.

Artificial reefs are popular with local recreationists and environmentalists because they enhance the marine environment. Within days of a hard substrate appearing on the seafloor, small encrusting animals begin to attach themselves, in the process creating more surface area for other organisms to either attach to or hide behind. Thus artificial reefs create habitat for many species of both fish and invertebrates, which in turn attract many larger fish, some of which might not survive otherwise. There is some debate over the extent to which reefs attract sea life that is already present and the extent to which they encourage propagation of more fish and other animals. Clearly, they do both.

The Gulf of Mexico is particularly well suited to artificial reef creation because its seafloor lacks the rocky bottom and outcroppings that can support a rich variety of life (although even California, which has such features, has a strong contingent clamoring for artificial reef production). "Dropping one of these [artificial reefs] in the middle of this vast expanse of mud bottom is like putting an oasis in the desert,"[2] says an official with the Texas Parks and Wildlife Department.

Sunk Assets

Many of the privately created reefs off the coast of Alabama were formed by sinking old autos. While this may not initially seem prudent, the cars are well cleaned of any noxious chemicals before they are carried out to sea.

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Even without stringent regulations, many of the people who fish around these reefs eat what they catch, so it is also in their best interests to keep fish free from toxic chemicals. The main problem with cars is that they do not last very long, but without secure private property rights, there is little interest in finding more durable materials.

Legal, private reef creation began in Alabama in 1987 when the Department of Conservation and Natural Resources created the first of two large areas where people are allowed to sink acceptable objects (those passing a state inspection to ensure that no toxic materials remain). The measure came in response to the artificial reef creation that was already going on illegally. Recreational fishers had figured out the benefits of small artificial reefs and had been sinking objects on their own for many years. Eventually the commercial fishing industry grew tired of stray shopping carts damaging their nets, so they convinced the state to take action.

Because the jurisdiction over artificial reef creation rested with the U.S. Army Corps of Engineers, Alabama arranged for a large permit from the Corps, then issued its own permits to the public. As part of this arrangement, the state assumed all of the liability resulting from these reefs, which encouraged their creation but discouraged any private interest in the long-term effects of the reefs. Strengthening ownership rights to artificial reefs and returning liability to their owners would encourage long-term care and stewardship.

Once reef creation was sanctioned by the state, the numbers of reefs took off, and so did entrepreneurial activity. One company has specialized in preparing old cars to meet state standards, then delivering them to a specified and confidential location. Since 1987 it is estimated to have placed over 5,000 cars and 300 school buses underwater.[3] As a result of this kind of activity, in 1992, with only a fraction of the Gulf Coast shoreline, the recreational catch of red snapper in Alabama was two to five times higher than those of the other Gulf states.[4]

The value of proprietary information encouraged reef creation, but the fleeting nature of the property right and lack of liability encouraged people to consider only the short-term benefits of their actions. Thus most of the reefs were formed from old washing machines, toilets, and all sorts of other junk that corroded quickly or was otherwise rapidly destroyed. Auto bodies lasted longer, usually five years or more, but when Hurricane Opal passed by Alabama in 1995, many reefs were washed out of the area or destroyed, and auto hoods started winding up in fishing nets. This led the state to institute a moratorium on most junk and scrap by early 1997. With this move, Alabama may see some of its sport fishing moving to Florida.

Strengthening Property Rights

Setting restrictions to solve this problem ignores the very reason why care was not taken to avoid storm damages in the first place. Cars made popular reefs because they lasted longer than one could hope to keep a good fishing spot secret. For only slightly more than a car,[5] a firm called Reef Ball Ltd. offers prefabricated artificial reefs, specifically designed to enhance the marine environment and to be durable. By strengthening private property rights to artificial reefs, owners would naturally take an interest in their protection, and would probably be more interested in Reef Balls than old Chryslers. Increased liability would also encourage owners to account for the long-term effects of reef placement and construction.

In Japan, where the rights to subtidal lands are clearly defined, the level of investment in artificial reefs is huge. Custom reefs are designed for specific habitats and species production. Many fishing cooperatives even place guards to watch over productive areas day and night.[6] Japan is hardly a perfect example,[7] yet the vigilance with which private reefs are protected, and the research efforts that goes into fishing reefs demonstrate the vast potential for the positive benefits of private ownership.

The success of Alabama's artificial reef program is having an effect outside the state—Florida recently started creating large permit areas, and other Gulf states may follow suit.

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Limited ownership schemes already exist in offshore waters for aquaculture and oil and gas exploration. Extending those leases to artificial reefs would be a simple step toward encouraging the kind of private stewardship of artificial reefs that has been so successful in Japan. □

1. Oyster beds (a form of artificial reef) have been one exception. For a description of the positive effects of oyster bed ownership in Washington state, see Michael De Alessi, "Oysters and Willapa Bay," Center for Private Conservation Case Study (Washington, D.C.: Center for Private Conservation), March 1996.

2. Hal Osburn, director, Texas Parks and Wildlife Department, quoted on "Oil Rigs to Reefs," *CNN's Future Watch*, September 11, 1993.

3. William Lindberg, University of Florida Department of Fisheries and Aquatic Sciences, personal communication, September 25, 1996.

4. Eric S. Cisar, "Artificial Reefs: Making Something from Nothing," *Tide*, November/December 1993, p. 44.

5. A car body placed out in the Gulf ran about $275, while a delivered Reef Ball costs about $300. Todd Barber, president, Reef Ball Ltd., personal communication, September 1996.

6. Shingo Ota, First Secretary (Fisheries), Embassy of Japan, Washington, D.C., personal communication, July 1996.

7. Fishing cooperatives in Japan are heavily subsidized by the government, which also dictates that artificial reefs must be prefabricated. Thus one of the most important organizations involved in reef creation in Japan is the industry group of cement manufacturers, construction firms, steelmakers, and manufacturers of plastic materials. See Robert S. Grove and Choule J. Sonu, "Fishing Reef Planning in Japan," in *Artificial Reefs: Marine and Freshwater Applications*, Frank M. D'Itri, ed. (Chelsea, Mich.: Lewis Publishers, Inc., 1985), p. 192.

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THE FREEMAN
IDEAS ON LIBERTY

An Environment Without Property Rights

by Richard L. Stroup and Jane S. Shaw

When Eastern Europe began to open up in the late 1980s, one of the great shocks was the severity of its environmental problems. Journalists reported on skies full of smoke from lignite and soft coal, children kept inside for much of the winter because of unsafe air, and horses that had to be moved away from the worst areas after a few years or they would die.

Many of the environmental ills reflected an abysmally low level of technology. Old, polluting factories of the kinds that are dim memories in the United States were the mainstay of socialist industry. Smelly, sluggish automobiles polluted the roads.

Energy waste was tremendous. Their own statistics showed that socialist economies were using more than three times as much steel and nearly three times as much energy per unit of output than market economies.[1] "One cannot look about in Warsaw or Moscow, Budapest or Zagreb, Krakow or Sarajevo," wrote economist W. W. Rostow in 1991, "without knowing that this part of the world is caught up in a technological time warp."[2]

Not everyone realized it at the time, but the state of the environment was directly connected to the absence of property rights in the Soviet system. The authorities had refused to allow most resources to be privately owned. Most market exchanges were criminal acts, and entrepreneurship of most kinds was declared to be criminal behavior. Production was centrally planned, with land and other resources owned by the state, not individuals.

Although there were many repressive acts in the former Soviet Union and the Eastern European nations, the absence of property rights, along with the absence of the markets that result from the exchange of property rights, was enough to devastate the environment.

To understand why, it is helpful to look at the reasons why private property rights protect the environment. There are several:[3]

1. Owners have incentives to use resources productively and to conserve where possible. Owners can obtain financial rewards from using resources productively and they have a strong incentive to reduce costs by conserving on their use of each resource. In the pursuit of profits, business firms have a strong incentive to implement new resource-saving technologies.

Such incentives were absent in the Eastern bloc under socialism. Consider the Trabant, the "people's car" produced in East Germany between 1959 and 1989.[4] (Production stopped shortly after the Berlin Wall came down.)

The Trabant provided basic transportation and was easy to fix. But it was slow (top speed 66 mph), noisy, it had "no discernible handling," it spewed "a plume of oil and gray exhaust smoke," and it didn't have a gas

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gauge. The exhaust was so noxious that West Germans were not allowed to own Trabants. When the magazine *Car and Driver* brought one to the United States, the EPA refused to let it be driven on public streets.

The Trabant was so bad partly because its design was basically the same as it had been when the car was first manufactured in 1959. The latest model, the 601, had been introduced in 1964, and was essentially unchanged 25 years later.

Manufacturers could not reap a profit from making a better car, so they had no incentive to adopt new, cleaner technology that would give better performance. Indeed, because factories were government-owned, there was little incentive to produce any cars at all in East Germany. So few automobiles were available that people waited an average of 13 years to get their Trabant.

2. Private ownership of property provides an incentive for good care that is lacking under government control. If a resource is well cared for, it will be more valuable and add more to the personal wealth of its owner. If the owner allows the resource to deteriorate or be harmed by pollution, he or she personally bears the cost of that negligence in the form of a decline in the value of the resource.

Throughout the Soviet Union under Communism, resources were routinely wasted. In fact, the emphasis was on using up resources, not on producing them—for a good reason. Central planners often measured the use of inputs to determine whether a factory or other entity was carrying out the central plan. For example, Ann-Mari Sätre Åhlander reports that despite the low per capita production of agricultural crops, the use of fertilizers and herbicides was high.[5] That is because using them was a sign that work was being done, even though excessive use of these chemicals could have harmful effects.

A story is told about a part of Estonia where the underground water is flammable because vast quantities of aviation fuel were dumped into the ground and they seeped into the water. The fuel was assigned to a nearby Soviet military station to be used for flying practice missions. To make sure that the pilots had flown the required number of hours, the military superiors monitored the amount of fuel the pilots used. When the pilots did not want to fly the required hours, they falsified their reports. To evade detection, they got rid of the fuel by dumping it onto the ground.[6]

3. A resource owner has legal rights against anyone who would harm the resource. The private owner of a resource has more than just the incentive to preserve the value of that resource. Private property rights also provide the owner with legal rights against anyone (usually including a government agency) who invades—physically or by pollution—and harms the resource. The private owner of a forest or a farm will not sit idly by if someone is cutting down trees without permission or invading the property with hazardous pollutants, and lawsuits can be used to protect those rights. A private owner could probably have stopped the dumping of aviation fuel on the Estonian farmland mentioned above.

But in the Eastern bloc, such protection was absent. Peter J. Hill reports that in Bulgaria heavy metals in irrigation water lowered crop yields on Bulgarian farms. The industrial sources of the metals were known, but the farmers had no recourse. Without a system of redress through the courts, says Hill, "the farmers had no actionable claim against those causing the problems."[7]

4. Property rights provide long-term incentives for maximizing the value of a resource, even for owners whose personal outlook is short-term. If using a tract of land for the construction of a toxic waste dump reduces its future productivity, its value falls today, reducing the owner's wealth. That happens because land's current worth reflects the net present value of its future services—the revenue from production or services received directly from the land, minus the costs required to generate the revenues (and both discounted to present value terms).

Lake Baikal is the largest and deepest freshwater lake on Earth. Once known for its purity, it is now heavily polluted because Soviet planners decided to build paper mills at its edge and failed to reduce the emission of pollutants into the water. According to one source, the effluent is discharged directly into the lake and has created a polluted area 23

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miles wide.[8] Clearly, the value of the lake and its surrounding land has been seriously diminished by pollution.

In a society of private ownership, the owner of lake property would envision a place that would attract tourists and homebuyers. Such an owner would have a strong incentive to maintain the value of this property by preventing its deterioration. But government planners had no incentive to protect it.

Now that the Soviet system has broken down, the environmental destruction in the Eastern bloc should be nearing its end. Simply closing down the polluting factories, many of which were wasting resources, anyway, will reduce the pollution. But how fast and how well the environment will recover crucially depends on the restoration of private property rights. □

1. Mikhail Bernstam, *The Wealth of Nations and the Environment* (London: Institute of Economic Affairs, 1991), p. 24.
2. W. W. Rostow, "Eastern Europe and the Soviet Union: A Technological Time Warp," in *The Crisis of Leninism and the Decline of the Left*, Daniel Chirot, ed. (Seattle: University of Washington Press, 1991), p. 60–73, at 61.
3. For a more detailed discussion, see James D. Gwartney and Richard L. Stroup, *Economics: Private and Public Choice*, 8th edition (Fort Worth: Dryden Press, 1997), Chapter 28.
4. Information about the Trabant comes from articles in *Car and Driver* in April and December 1990.
5. Ann-Mari Sätre Åhlander, *Environmental Problems in the Shortage Economy* (Aldershot, England: Edward Elgar, 1994), p. 19.
6. A story told to the authors by an Estonian official.
7. Peter J. Hill, "Environmental Problems under Socialism," *The Cato Journal*, Volume 12, no. 2 (Fall 1992), pp. 321-335, at 328.
8. Hill, p. 322, citing information from *Time* magazine, January 2, 1989.

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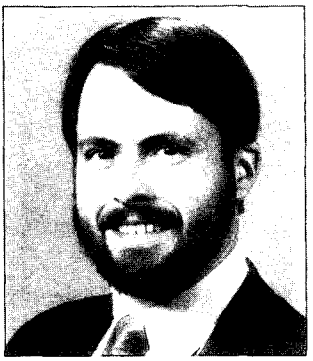

The Failure of Politics

As my Cato Institute colleague Ted Galen Carpenter has pointed out, people once thought that the President's primary duty was to represent America in foreign affairs. Today many people think he is supposed to be national nursemaid. Instead of expecting their pastor to feel their pain, many Americans want the President to empathize with them when they experience hardship, help them cope with tragedy, and give meaning to their lives.

Almost as bad is the belief that every problem, no matter how inconsequential, is a matter for Washington—Congress as well as the President—to decide. Should children wear school uniforms? How can we best ensure people's access to child care? Should companies offer family leave to their employees? What is the appropriate level of mental health benefits to include in health insurance policies? Many Americans seem to believe that these are political issues upon which campaigns should be fought. And upon such issues they are fought.

Yet however dreary this makes elections for the believer in liberty, it should give us hope as well. For the American people seem to be growing ever more frustrated with the failures of politics. Which means that average citizens are likely to become more skeptical of Uncle Sam acting as Earth Mother.

There is perhaps no better evidence of public dissatisfaction than people's increasing tendency to ignore elections. Only one-quarter of the electorate admitted to paying close attention to the 1996 campaign in the final week, 40 percent less than four years before. Voter turnout was the lowest in a presidential election since 1924. Many citizens expressed their desperate yearning for a real alternative to the Washington conventional wisdom. In short, ever more people seem to realize that politics, as the means to raise their children, ensure their futures, and provide meaning to their lives, is a deadend. Citizens increasingly see that political society is dominated by empty vessels interested in little more than acquiring power, politicians who run from problems, offer pablum instead of solutions, and cheapen political debate by focusing on trivia instead of ideas.

In short, public dissatisfaction with politics is a heaven-sent opportunity. Indeed, what could be better from the standpoint of liberty?

True, some pundits consider falling political interest to be a bad thing. Curtis Gans of the Committee for the Study of the American Electorate fusses over declining voting rates at a time when the electorate is older, better educated, and less mobile. He blames a number of factors, including "anti-government demagoguery."

Yet there is nothing demagogic in noting that public authorities take far too much of people's incomes—over 40 percent. Nor in pointing out that major government programs, particularly Medicare and Social Se-

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curity, are heading toward fiscal disaster. There is nothing demagogic in showing how a host of unnecessary and burdensome regulations slow economic growth and keep people out of jobs. Nor in observing that U.S. intervention overseas often causes more harm than good. There is nothing demagogic in criticizing abuse of power by law enforcement agencies. Nor in demonstrating how misguided government programs like welfare destroy family and community. Rather, doing so is merely speaking the truth.

Government Fails

There are many reasons, as readers of *The Freeman* know, that government fails, and fails so persistently. One factor is the role of incentives. In many ways, government's goal is to fail, or at least not to succeed so much as to eliminate the problem, thereby eliminating the perceived need for a government program.

Further, politics is concerned about intentions rather than results. If you want to raise people's incomes, the minimum wage sounds like a good policy. You have to understand economics to realize that artificially hiking wages prices labor out of the market and thereby throws people out of work. But then, understanding economics was never a requirement for holding public office.

Even politicians who care about results are at a disadvantage, since the political system can never accumulate the same amount of information reflected in market processes, nor flexibly meet people's needs. The international price of a barrel of oil alone incorporates more information than is contained in every file and on every computer disk at the Department of Energy in Washington. And even the largest oil company can change its policy more quickly than can the federal government.

Finally, in the end, cooperation rather than coercion, the hallmark of government, is the best means of solving most problems. Threatening people with jail can gain compliance with a rule, but not assistance in meeting a goal. Yet, as business realizes, a shared commitment to a particular end is far more likely to yield beneficial results for everyone involved.

There's another reason that government fails so abjectly today, however. And that is because the cause of many of our worst problems is moral rather than political. Drug abuse is fundamentally an issue of the human spirit. Rising illegitimacy rates and family disintegration result from poor values, not inadequate programs. Crime grows out of immorality, not poverty. The ubiquitous refusal to take responsibility for one's actions—instead suing anyone in sight, demanding government aid irrespective of cause, and blaming everyone else for individual failure—is a moral issue.

Looking Beyond Politics

While there have been some bizarre discussions in Washington about the "politics of meaning," few people really believe that government can offer a substitute for morality. Rather, most people understand that we need to look beyond politics to civil society for answers.

That means, first, a commitment to do right in one's dealings with family, friends, neighbors, and business associates. The best place to model family values is within one's own family. Public officials can help lead, but only if they walk the walk. That is, criticism of, say, family breakup needs to grow out of a genuine concern for children rather than reflect a desire for political advantage.

A commitment to civil society also means teaching values to the young. But not the values that emanate from a political process characterized by dishonesty and demagoguery. In education, in particular, the best government can do is get out of the way. Indeed, many urban schools can neither protect students' physical safety nor teach them to read, let alone impart moral values. Only by empowering parents to control their children's education can we prepare future generations to be good citizens.

Moreover, our society will flourish only so long as people organize to solve problems around them. Churches, for instance, have proved to be a powerful tool not only for

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transforming people's lives, but also providing those in need with practical tools to escape poverty and despair. Yet the growth of government has encouraged many churches to lobby for more public programs before working to alleviate problems directly. As religious charities have become hooked on the government dole, many have lost the spiritual focus that made them successful in the first place.

Unfortunately, we can never do away with politics, since some problems require collective action through the one social institution that can coerce. But growing public frustration with politicians suggests that people may be finally recognizing that the inherent flaws in political society are so great that we should limit what we ask government to do. If government can't keep the streets safe, how can it mold souls and brighten our futures? We must take responsibility for such tasks ourselves, in cooperation with those around us through the marvelously complex matrix of human association that naturally arises outside of politics. □

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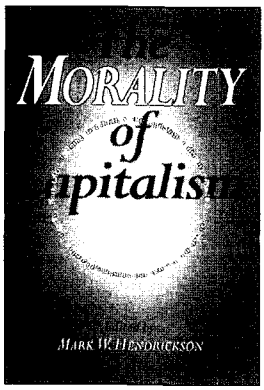

THE MORALITY OF CAPITALISM

Edited by Mark W. Hendrickson
Introduction by Hans F. Sennholz

"Ethical considerations give essential justification to private property in the means of production, to market competition, and the profit system. They grant the capitalistic economic order an important place within a moral order, a place with one system of ethics for rulers and subjects alike—to be honest and peaceful, refraining from any action that would do harm to a fellow man. In fact, the capitalistic order gives rise to a moral system of rewards and punishment based on integrity, effort, talent, learning, and thrift. By lending protection to economic freedom it also becomes the ultimate guarantor of the noneconomic elements of freedom such as the freedom of speech, of religion, the press, and personal behavior."

—HANS F. SENNHOLZ (from the Introduction)

Despite Communism's recent setbacks, the moral arguments of Marxist thought—the reality of class struggle and the need for collective government action due to capitalism's exploitation of the masses—still persist in the Western mind. This collection of essays by powerful writers attacks that "moral" foundation of Marxism. Capitalism, with its emphasis on personal responsibility, respect for an individual's rights, and protection of the fruits of one's labors, makes moral as well as economic sense.

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THE FREEMAN
IDEAS ON LIBERTY

It Takes a Market

by Bettina Bien Greaves

To drink coffee I do not need to own a coffee plantation in Brazil, an ocean steamer, and a coffee roasting plant, though all these means of production must be used to bring a cup of coffee to my table. Sufficient that others own these means of production and employ them for me.[1]
—LUDWIG VON MISES

None of us has the means or the technological know-how to do all that is necessary to place a cup of coffee on the breakfast table. Nor, for that matter, to provide us with all the many other things we use and consume every day. For this, we need a market. We need exchanges and property owners—savers, investors, entrepreneurs—who are willing to devote their resources to production.

In today's global market economy, countless interrelated exchanges must take place to provide us with our morning coffee. The many persons involved in these exchanges are widely scattered and do not necessarily know one another. Most of the participants are probably unaware of how they contribute to the larger scheme of things. (Some who have contributed their expertise to the process may not even be alive today.) Yet each of them, by carrying out relatively minor specialized tasks, helps to bring coffee to our breakfast table. At every step in the complicated production process from plantation to coffee cup, entrepreneurs coordinate the activities of the many participants. For this it takes a market.

Mrs. Greaves is resident scholar at The Foundation for Economic Education.

Private Property in a Contract Society

Today we live in a contract society. Property is controlled by neither king nor dictator. For the most part, it is privately owned and has been acquired through voluntary exchange.[2] The law defines and—theoretically at least—protects to the best of its ability the rights of private property owners. The most important right of a property owner is the right of disposal, the right to control the use of his or her property. Once property owners gain the right of disposal, they may exchange property with one another, by contract, purchase, sale, deed, or bequest. Thus, there are exchanges and markets, and people are relatively well supplied with food, clothing, and shelter.

In a market society, the owner of *consumption* goods is free to decide how they will be used. Owners may consume them, give them away, bequeath them, or even willfully destroy them, so long as there is no interference with the equal rights of others.

However, the owners of *production* goods are not as free as the owners of consumption goods to use them precisely as they wish. The owners may be entitled to dispose of their factors of production *legally*, but they are not completely free to do so *economically*, that is, through the market, without considering the wishes of others. In this sense, the legal owners are not the exclusive owners of their factors of production, including their own personal labor. As legal owners they may retain economic control only if they are

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willing to devote their factors to the production of goods consumers want. If they produce goods consumers don't want, they will suffer financial losses and lose their production goods—through bankruptcy, or by transfer to competitors who buy them out. The legal owners of production goods hold them only at the sufferance of consumers.

Thus in the market, there is a "*twofold having*" of the factors of production. On the one hand there is the owner's direct, physical, legal *having*. And on the other hand there is the indirect, social, economic *having* of those who consume the goods and services produced. This forces owners to share the control of their factors of production with consumers, whose *natural* or *economic having* guides production.[3]

Production in the Contract Society

The process of producing almost any single consumer good—even fairly simple items like coffee or a loaf of bread, a suit, a dress, a house—is so complicated that no single person could possibly know enough to assemble all the raw materials needed, transport them from wherever they are found, manufacture the tools and machines required, and do everything else that is necessary to channel them into the service of consumers.[4] Yet millions of consumer goods are offered on the market every day, many of them very complex—automobiles, planes, textiles, computers, electric and electronic household appliances, and so on. How are the factors of production—the land, labor, and capital—needed for the production of any one of these consumer goods, let alone all of them, assembled from all over the world and channeled into their production without the dictates of an overall planner? Just how in the world, for instance, does our morning coffee really reach our breakfast tables? For that it takes a market.

In a market society with the division of labor, coffee is grown and transported to breakfast tables in response to consumer wishes. Though consumers do not legally or directly own coffee plantations, coffee bean roasting plants, and oceangoing steamers, their purchases and refusals to purchase tell property owners how to use these various factors of production. Many factors must be brought into play and a complex network of market transactions developed. Some plantation owners are induced to grow coffee, some investors to construct coffee bean roasting plants, and others to build oceangoing steamers to carry the roasted coffee beans to market. Entrepreneurs are the arrangers, the expediters. Thus, in a market society, the *legal* owners of the factors of production do not have the final say. Rather it is the consumers who actually buy and drink coffee who determine through their *natural* or *economic having* how the factors of production will be used.

The ownership of property is in a continual state of flux, as a result of what Adam Smith called the "propensity in human nature . . . to truck, barter, and exchange."[5] The configuration of property ownership worldwide is changing from day to day, minute to minute. The owners of production goods are always adjusting and readjusting production in the attempt to better serve consumers. And because of their sensitivity to the control of production by consumers, through their *natural* or *economic having* of the factors, a trend prevails in a contract society for consumers to be increasingly well provided for. Not only will they have more food, clothing, and shelter, but also countless other wanted goods and services. And for this it takes a market. □

1. Ludwig von Mises, *Socialism* (Indianapolis: Liberty Fund, 1981 edition), p. 31.

2. Property acquired by force or fraud is not considered legally owned; in the eyes of the law, the thief can never acquire ownership.

3. Mises, *Socialism,* pp. 30–31.

4. See Leonard E. Read's "I, Pencil," *The Freeman*, December 1958, for an illustration of the fact that "it takes a market" to cope with the complexity of producing such a simple thing as a pencil.

5. Adam Smith, *The Wealth of Nations*, Edwin Cannan, ed. (New York: Modern Library, 1977), p. 130.

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February 1997

European Malaise

An American who looks upon the world perceives many forms of misery. Many are worse than his own. Looking upon Europe he may be surprised and dismayed about the economic difficulties some countries are experiencing and the political turmoil that is tearing them apart.

The countries of Eastern Europe continue to suffer the pains of transformation from communist tyranny to Western-style democracy and the private property order. They are straining to reshape their political and economic structures. With their public sectors dismally unproductive and in utter disarray, the governments are incurring huge budget deficits which cause them not only to inflate and depreciate their currencies but also to bleed the fledgling private sector. If it were not for the "informal sector," that is, the underground economy in which people labor without license, permit, taxation, and political approbation, many would suffer grievously.

In Central and Western Europe the old welfare states are choking on their own "social progress." They are transferring more income and wealth than ever before, bestowing costly favors and privileges on labor and extracting the means from entrepreneurs and capitalists. Business is forced to invest heavily in labor-saving machines and equipment, or seek economic survival abroad, or simply evade the social burdens by going underground. Many employers are refugees in their own country, dismayed and frightened, and dreaming about escaping to the U.S.A.

According to a Morgan Stanley analysis, the hourly labor costs in manufacturing are calculated at $31.88 in Germany, $19.34 in France, $16.48 in Italy, $13.77 in Britain, and $12.70 in Spain. These rates compare with $17.20 in the United States. Yet, no matter how high the labor costs may be, they do not cause unemployment provided they do not exceed labor productivity. **The soaring rates of unemployment in Germany, France, Italy, Spain, and other European countries clearly indicate that labor costs are excessive and taking their tolls.** European unemployment rates are more than double the U.S. rate.

The root cause of Europe's economic predicament is the oppressive burden of fringe benefit costs imposed on business during the 1970s and 80s. Social Security benefits were increased significantly, which is hailed as "social progress," and employer extractions were raised accordingly, which is acclaimed as "social justice." The new levies lifted marginal labor right out of employment; new regulations rigidified the labor markets and rendered adjustments painful and difficult. They caused the national economies to stagnate, which in turn aggravated the budget deficits and the capital consumption, which in turn aggravated the stagnation, etc.

Hope ever tells us that tomorrow will be better. But unless hope turns into delusion, it must be based on rational expectation, building on sound public opinion which after all shapes social policy. What the multitude says is so, soon will be so.

European public opinion fills us with deep pessimism. The Europeans we know proudly and defiantly cling to their notions of "social

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progress" no matter how many millions of workers they cast out. Guided by social compassion for the disemployed, they favor ever more "progress" which actually crushes the very people it is supposed to help.

A few European economists are vaguely aware that the labor mandates of the last two decades are the prime cause of the mass unemployment. They nevertheless are quick to defend the social policies as the greatest virtue of modern democracy well worth the social costs. They wax eloquent about democratic virtue while millions of working people walk the streets in idleness and despair. And they turn politicians vying for popularity when they oppose reforms for being tantamount to "political suicide."

Most disturbing yet are a few old discredited economic notions which becloud the minds of many Europeans. These notions are akin to the ideas which guided the gangs of English workingmen who, early in the 19th century, destroyed knitting machines and power looms which they blamed for unemployment and low wages. Their intellectual descendents now condemn the computer technology for devouring millions of jobs. They would like to return to the old technology or at least compensate the workers for the loss of their jobs. The costs of compensation hopefully would discourage the modernization.

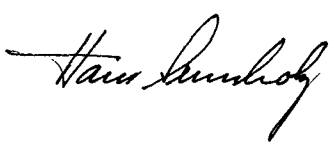
Other Europeans fall back on **new versions of old protectionism.** They blame cheap foreign labor for devouring domestic jobs. They never tire denouncing countries which, in their judgment, do not protect the environment, or worse yet, which exploit women and children. There is mass unemployment in France and Germany, they are convinced, because Chinese women and children earn low wages.

Radical youth is quick to blame poor immigrants for the loss of jobs. It's the fault of immigrants who in more prosperous times were invited by the millions. While young people are demonstrating and rioting, the governments are enacting laws and regulations discriminating against immigrants or even expelling them under various pretexts. Yet, the rate of native unemployment continues to rise. It now exceeds 12 percent in France and Germany and 21 percent in Spain, the most socially progressive country of Europe.

Desperate politicians and labor leaders would declare "war on unemployment." They are demanding fair and square "job sharing." To make room for the unemployed they would force employers to allow their employees to work shorter hours, take longer vacations, take more sick-leave, and seek earlier retirement. In Germany, they already succeeded in reducing the industrial work week to 35 hours; in France they managed to advance the retirement age to 55. All over Europe the workers are told: "Slow down, don't work yourself out of a job. Leave some to the unemployed." And middle-age workers are urged to retire: "Make room for the young!" They all are to live by a new theory according to which the demand for labor increases as labor output decreases.

Weary of the economic stagnation and fearful of the declines expected for 1997, many European commentators, finally, blame their "strong currencies" for the faltering economies. The expensive Swiss franc, French franc, German mark are said to price domestic products out of the world market. Tight monetary policies are blamed for shrinking exports and rising imports although the central banks are expanding their currencies at rapid rates. Switzerland and Germany, the two leading hard-currency countries, already reduced their discount rates to 1 percent and 2.5 percent respectively. They are inflating as fast as they can without raising apprehensions.

Many Americans who do not learn by inference and deduction have an opportunity to learn from European experience. Unfortunately, most people learn only from their own experience.



Hans F. Sennholz

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—Thomas Jefferson

Private Property and Political Control

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Contributors include: Leonard E. Read, Paul L. Poirot, Henry Hazlitt, Gary North, Hans F. Sennholz, Clarence B. Carson, Tibor R. Machan, and many more.

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The True Takings Reform Imperative

by Donald J. Kochan

In recent years, a "takings" revolution has been occurring, with hundreds of reform bills introduced in state legislatures and with historic legislation pending in Congress. The most protective of these efforts aim to require payment of compensation when governmental actions diminish the value of a property owner's land. One piece of Congressional legislation, for instance, would require the state to compensate an owner any time a federal action diminishes the value of an individual's property by more than 33 percent.

These reforms, while admirable in the effort to ease the harm done to property owners by governmental regulation, should not divert us from the true imperative of the constitutional protection of property. Under the Constitution, the state is obligated to avoid adversely affecting property rights whenever possible.

The reform bills re-enforce the letter of the Fifth Amendment's Takings Clause[1] as a liability rule. They allow the government almost unlimited power to affect a citizen's property, as long as it pays for its actions. Reparation payments for harms done to property, however, are seldom perfect compensation for an owner's loss. So, while reforms that focus on increasing the compensatory obligations of the government should be embraced, the spirit of the Takings Clause is that the government should employ its power of eminent domain only in situations of necessity—that is, when addressing concerns not susceptible to private solutions.

In the Lockean tradition, the Framers of the Constitution created a government of limited powers, with the protection of property constituting its essential purpose. "The great and chief end therefore, of men's uniting into commonwealths, and putting themselves under government, *is the preservation of property*," wrote John Locke, adding, "To which in the state of nature there are many things wanting."[2]

James Madison observed the essential correlation between property and the state when he wrote, "Government is instituted to protect property of every sort. . . . This being the end of government, that alone is a *just* government, which *impartially* secures to every man, whatever is his *own*."[3]

In this light, it is clear that "protection" and "preservation," not merely "compensation," must be the focus of just governance.

In an era of burgeoning governmental regulations, we are moving toward a society in which there are "many things wanting" in the preservation of property. Countless government programs, including historic preservation, zoning, and environmental regulations, drastically affect the uses and values of private property. Though work can be done to create a statutory, constitutional, and juris-

Mr. Kochan is an adjunct scholar with the Mackinac Center for Public Policy in Midland, Michigan, and author of the Center's recently published report Reforming the Law of Takings in Michigan.

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prudential structure that provides a more just system of compensation for property owners aggrieved by governmental actions, no system of compensation can perfectly replace the value owners attach to their property.

Subjective value is impossible to validate when determining damages, so compensation awards are forced to use the "market value" standard. When the government takes land and is only required to pay the amount of market value diminished, however, the current owner may not be fully compensated. The owner may attach personal value to the property or may be able to sell his or her property rights to another who values the property more than the average person in the market.

Coerced transfers of property rights fail to guarantee a mutually beneficial exchange. Only when the state is forced to bargain with a property owner for acquiring his or her land, a use of land, or a restraint on use, can a more balanced scheme of compensation occur. In a compensation system based on market value, the harm done property owners by government actions may be diminished, but it will never be eliminated.

For this reason, among others, responsible policymakers must not just work to correct our definitions of takings and liberalize the system of compensation, but must also work to minimize the amount of takings that actually occur. Following the intent of the Framers, property rights should be a primary concern, not a secondary concern receiving importance only after fulfilling some other perceived objective of the state.

Moreover, a sound protection of property rights is fundamental to all other liberties.[4] As James Madison warned, "Where an excess of power prevails, property of no sort is duly respected. No man is safe in his opinions, his person, his faculties, or his possessions."[5]

The government does not have the unlimited power to silence an individual so long as it compensates that person for the infringement on his right to free speech. Similarly, despite the Takings Clause's more expansive grant of power, the clause should not be considered a *carte blanche* license to infringe real property rights. The excessive growth of the state's power to control real property has vital implications for the general liberty of the citizenry, and this growth must be brought in check if our property in liberty is to be preserved.

Limiting the size and scope of the regulatory state is the most important takings reform. The power of eminent domain is, and was always meant to be, only a power of last resort. □

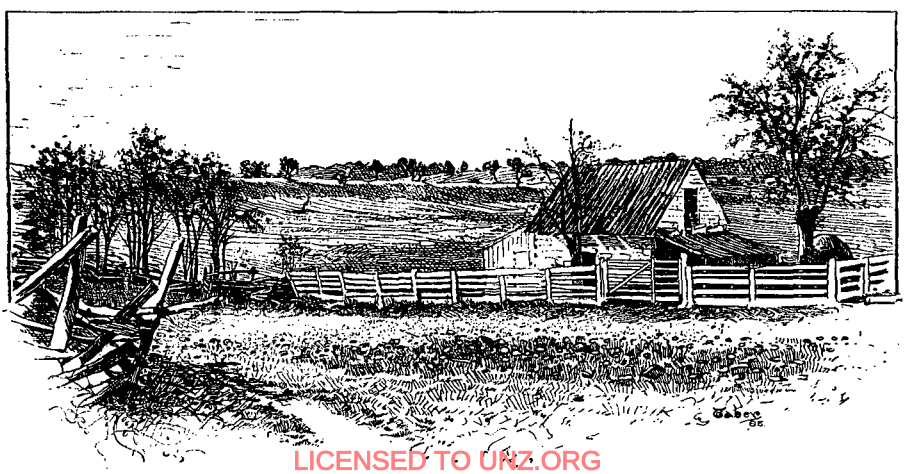
1. U. S. Constitution, Amendment V: "[N]or shall private property be taken for public use without just compensation."

2. John Locke, *Second Treatise of Government*, Richard H. Cox, ed. (Arlington Hts., Ill.: Harlan Davidson, 1982), p. 75.

3. From an essay entitled "Property," published March 27, 1792, *National Gazette*; reprinted in James Madison, *The Papers of James Madison*, Vol. 14, Robert Rutland et al., eds. (Charlottesville, Va.: University of Virginia Press, 1983), p. 266.

4. The Supreme Court has even stated: "Property does not have rights. People have rights. The right to enjoy property without lawful deprivation . . . is in truth a 'personal' right. . . . In fact, a fundamental interdependence exists between the personal right to liberty and the personal right in property. Neither could have meaning without the other. That rights in property are basic civil rights has long been recognized." *Lynch v. Household Fin. Corp.*, 405 U. S. 538, 552 (1972).

5. Madison, *supra* at 266.



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THE FREEMAN
IDEAS ON LIBERTY

Economic Freedom: Its Measurement and Importance

by James D. Gwartney

Since the time of Adam Smith, economists have generally argued that individuals will be more productive when they are economically free. Thus one would expect market economies to grow more rapidly and be more prosperous than those that are politically organized and centrally planned. Without a reasonable measure of economic freedom, however, how can one tell if this is true?

Beginning more than a decade ago, the Fraser Institute of Vancouver, British Columbia, spearheaded a drive to develop a sound measurement of economic freedom. They organized a series of conferences that focused on this topic. Input was solicited from several of the world's leading economists, including Nobel laureates Milton Friedman, Gary Becker, and Douglass North. As the result of our participation in these conferences, Robert Lawson, Walter Block, and I developed an index of economic freedom.[1]

The central elements of economic freedom are personal choice, freedom of exchange, and protection of private property. Our index contains 17 variables designed to measure the degree that these elements are present in various countries. The index is subdivided into four major areas: money and inflation, government operations, takings, and international trade. The components of the index are objective variables derived from regularly published data. For example, the components in the money and inflation area are: (a) the variability of the inflation rate during the last five years, (b) expansion in the money supply (adjusted for long-term growth of output), and (c) the freedom of citizens to maintain and use alternative currencies. In essence, the components of our index identify the degree to which the policies and institutions of a country are consistent with sound money, reliance on markets, protection of private property, and freedom of international exchange.

We compiled the data for each of the components and used it to derive a summary index rating for 102 countries in 1975, 1980, 1985, 1990, and 1993–1995. The economy of Hong Kong was the highest rated in the world in 1993–1995, a spot that it also achieved during each of the earlier rating years. The rest of the "top ten" during 1993–1995 were, in order, New Zealand, Singapore, the United

Dr. Gwartney is professor of economics at Florida State University. More information about the index can be found in Economic Freedom of the World: 1975–1995 *(Washington, D.C.: Cato Institute, 1996).*

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States, Switzerland, United Kingdom, Canada, Ireland, Australia, and Japan. The countries with the least economic freedom during 1993–1995 were Zaire, Iran, Algeria, Syria, Nicaragua, Brazil, Burundi, Romania, Uganda, and Zambia.

In many ways, the *change* in a country's rating is more interesting than the rating at a point in time. Economic theory indicates that economic freedom will enhance the gains from trade, specialization, and entrepreneurship. Therefore, countries with large increases in the index should achieve above-average growth rates.

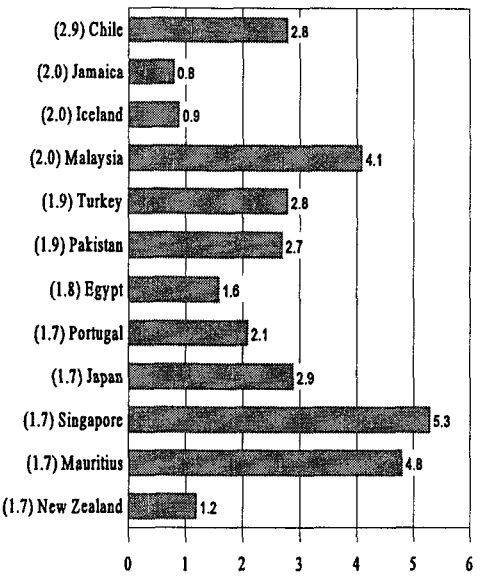
The accompanying chart presents data on the growth rates of the ten countries with the largest increases in economic freedom between 1975 and 1990.[2] The identical data are also presented for the ten countries with the largest declines.[3] The per capita GDP of the ten countries that registered the most improvement grew at an average annual rate of 2.7 percent between 1980 and 1994. All of the countries that moved toward economic freedom achieved positive growth rates of per capita GDP. In contrast, the countries with the largest reductions in freedom experienced an average decline in per capita GDP of one percent per year. Only two of these countries were able to achieve positive rates of economic growth.

The components of the economic freedom index are all indicators of institutional structure and economic policy. None of them is a proxy for either growth or level of income. Thus, there is nothing inherent in the organization of the data that would explain the strong positive relationship between increases in economic freedom and growth. The relationship could just as well have been negative or random. The fact that it was positive is strong evidence that Adam Smith was right—free economies are more prosperous. □

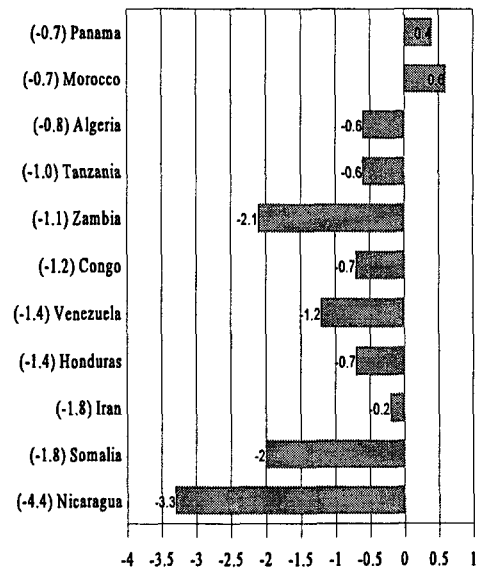
1. James Gwartney, Robert Lawson, and Walter Block, *Economic Freedom of the World: 1975–1995* (Washington, D.C.: Cato Institute, 1996). The book was co-published by the Fraser Institute in Canada and nine other institutes around the world.
2. Because of a tie, there were 12 countries in the "top ten."
3. There were 11 countries in this group because of a tie.

Growth Rates and Economic Freedom

Change in Per Capita GDP Between 1980 and 1994
(Change in economic freedom rating in parentheses)



Ten Countries with Largest Increase in Economic Freedom Ratings: 1975-1990



Ten Countries with Largest Decline in Economic Freedom Ratings: 1975-1990

SOURCE: James Gwartney, Robert Lawson, and Walter Block, *Economic Freedom of the World: 1975-1995* (Vancouver, B.C.: Fraser Institute, 1996), p. xxviii.

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Today's War on Property

by R. W. Bradford

What is the status of property rights in the United States today? Consider the following true story.

When Hurricane Hugo devastated the Carolina coast in 1992, it wasn't long before local lumberyards began to run out of building supplies. So Selena Washington decided to drive to Florida to buy the construction materials she needed to repair her home. She took cash with her, since she believed the lumberyards in Florida would not accept her South Carolina check. In Volusia County, Florida, a sheriff's deputy stopped Mrs. Washington's car and searched her handbag, in which he found her money. He took the cash and drove away without taking down her name, refusing to give her a receipt or an explanation.

The indignant Mrs. Washington followed the officer to the police station, where she protested what had happened. The police refused to give her back any of her money, so she hired an attorney. He negotiated an agreement: the sheriff could keep $4,000, the attorney would get $1,200, and Mrs. Washington could have the remainder of her money back. She took the deal. What else could she do? In 1990s America, this trampling of private property rights is perfectly legal.[1]

Private property is the foundation of a free society. The collectivist left, intent on destroying free-market economies, has long recognized this fact. A century and a half ago, Karl Marx and Friedrich Engels announced, "The theory of the communists may be summed up in a single sentence: Abolition of private property," and counseled that "the first step in the revolution . . . cannot be effected except by means of despotic inroads on the rights of property." Under relentless attack from the left, property rights have been in retreat ever since.

But it is a measure of property's precarious status that in recent years property rights have been assailed as much by political conservatives as by leftists. Selena Washington's property rights were taken by laws proposed by conservative Republican presidents, enacted by conservatives in Congress, and validated by conservatives on the Supreme Court.

Of course, those on the political right do not proclaim themselves opposed to private property. Instead, they subvert property rights by means of their war on drugs.

The war on drugs was declared by Richard Nixon in 1969, and expanded during the Ford, Reagan, and Bush administrations. By virtually any measurement but one, it is a failure. Since it began, the number of people who use drugs has risen dramatically, as has the number of people killed in drug-related violence. The war on drugs is a success only for its soldiers, who are allowed to take the property of those it suspects of violating drug laws. Consider the following cases:

- In 1987, when Frances Lopes of Maui, Hawaii, discovered that her adult son, who had a history of mental illness, was growing marijuana in her backyard, she asked him to stop. He responded by threatening to commit

R. W. Bradford is editor and publisher of Liberty.

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suicide. So when police arrested her son and removed the plants, she was relieved: as a first offender, her son was sentenced to probation and given psychiatric help.

Four years later, when a detective in Maui was reviewing old files, he noted that Mrs. Lopes had admitted she had known about the marijuana plants. Mrs. Lopes was in her carport when the police arrived. "We're taking the house," they said. And they did.[2]

• On April 9, 1989, Customs officials searched a new boat, just purchased by Craig Klein, a university professor. The 17-hour search, conducted with axes, power drills, and crowbars, involved dismantling the engine, rupturing the fuel tank, and drilling over 30 holes in the boat's hull. The effort turned up no evidence of illegal drugs. It did, however, destroy the boat. When Mr. Klein asked for compensation, Customs refused.[3]

• On February 2, 1991, 40 police officers gathered outside Randy Brown's metal shop in Sacramento. Not bothering to knock, they shattered the locks on his front door with a hail of bullets, then rushed in, handcuffed the bewildered Brown, and began tagging items of his personal property for their own use. They found a coffee can with $4,600 in cash, which they claimed as evidence, along with $313 that Brown had in his wallet.

The police had obtained a search warrant on the grounds that Brown had legally purchased chemicals that could be employed in manufacturing amphetamines. But they found no evidence that Brown possessed any of the other chemicals needed for the process, or that he had ever engaged in the manufacture of illegal drugs.

Indeed, Brown had no criminal record. Prosecutors dropped the case. But they refused to return his money, insisting that Brown prove it was legitimately acquired. When Brown produced records accounting for the cash, they agreed to return $2,000, provided he would sign an agreement that their seizure had been justified.[4]

• In 1984, Rosa Montoya was grabbed by Customs as she attempted to enter the United States. When a thorough search failed to turn up any evidence of smuggling, Customs locked her in a room with instructions to defecate into a wastebasket. When she had failed to do so after nearly 24 hours, Customs handcuffed her and took her to a hospital, where she was forcibly given a rectal examination.[5]

• In 1990, a 12-member police SWAT team broke into the home of Robert Brewer of Irwin, Idaho, and discovered a half-pound of marijuana, and eight marijuana plants growing in his basement. Brewer was dying of prostate cancer, he explained, and used the marijuana to relieve the pain and nausea. The police seized Brewer's home and van, which he used for transport to his cancer treatment center, some 270 miles away.[6]

While I chose these cases for their dramatic effect, they are not entirely atypical: in four out of five cases of civil forfeiture (summary government confiscation of property without legal process) the person whose property is taken is not charged with any crime.

And all these actions were legal.

The law authorizing civil forfeiture was sponsored by Senator Strom Thurmond of South Carolina and enacted by Congress without debate. The law that authorizes Customs officials to search individuals and vehicles on waterways that connect to international bodies of water (i.e., all lakes, rivers, and coastal waters of the United States except a few bodies of water in the basins of the West) was drafted by the Reagan White House.

The Sixth Amendment to the Constitution guarantees an individual accused of offenses punishable by fine or imprisonment the right "to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favour, and to have the assistance of counsel for his defense."

Each and every one of these guarantees is routinely and legally violated by police engaged in the war on drugs. People are routinely fined and imprisoned with no trial at all, with no jury except an arresting policeman

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(who sometimes is allowed to keep a portion of the fine he imposes on the spot), without being informed of the charges against them, without being allowed to obtain witnesses, without being allowed the assistance of counsel. In order to justify the absolute destruction of these property rights, conservative legal scholars came up with a legal theory hoary with age and bereft of logic.

Deodands

The legal doctrine on which these laws are based is the ancient concept of "deodands," derived from the Latin phrase *deo dandum,* meaning "given to God." In ancient and medieval times, when a piece of property caused an accidental death, it was deemed to be possessed by demons and was forfeited to the state for destruction. Not surprisingly, deodand theory fell into disuse as belief in demonic possession declined, and as people began to realize that it was absurd to hold an object guilty of a crime and manifestly unjust to punish the object's owner for an accidental death.

Britain abolished deodands in 1846, but they lived on in America to form the basis of the legal theory of civil forfeiture. Robert Brewer was not being punished when police confiscated his house—his house was punished, and his house, unlike his person, has no legal rights and thus is not entitled to a jury trial or any other constitutional protection. It can simply be confiscated. Nor was Selena Washington punished when a sheriff's deputy took all her money; it was her money that was punished.

This rationale, I believe, is as specious as the legal theories propounded by the left when it advances confiscatory taxes, land use control, and other restrictions on economic freedom. And it is just as subversive of the institution of private property.

When proponents of the drug wars argue that entire businesses should be forfeited after a single legal infraction, they not only endorse the socialist view of capital goods, but extend their willingness to subvert property into areas unimagined by the most ardent socialist.

In Rosa Montoya's case, Justice William Rehnquist, a conservative appointed to the Supreme Court by Nixon and elevated to chief justice by Reagan, argued that her treatment was justified because of "the veritable national crisis in law enforcement caused by the smuggling of illegal narcotics."[7] This is as clear a restatement of the argument that "the ends justify the means" as any collectivist ever made in defense of any communist dictatorship.

Sadly, only a few prominent conservatives, notably William F. Buckley and Henry Hyde, have spoken out against these violations of property rights. Most politicians who call themselves conservative appear willing to subvert private property on a grand scale to pursue their notion of protecting people from the harm they may cause themselves. It's time for defenders of private property to stand up and be counted. □

1. Henry J. Hyde, *Forfeiting Our Property Rights: Is Your Property Safe from Seizure?* (Washington, D.C.: Cato Institute, 1995), pp. 39–40. Also, Leonard W. Levy, *A License to Steal: The Forfeiture of Property* (University of North Carolina Press, 1996), pp. 2–3. Hyde says the attorney received $1,000; Levy says $1,200.
2. Dan Baum, *Smoke and Mirrors* (Little, Brown and Co., 1996), pp. 313–314. Also Hyde, pp. 34–35.
3. Hyde, pp. 11–12.
4. Baum, pp. 311–312.
5. Baum, p. 215.
6. Levy, pp. 5–6.
7. *U.S. v. Montoya de Hernandez*, 473 U.S. 531, 105 S.Ct. 3304, 87 L.Ed.2nd 381 (1985).

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THE FREEMAN
IDEAS ON LIBERTY

Privatize Public Highways

by Michelle S. Cadin and Walter Block

Across the United States, more than four million roads, streets, and highways tie cities and states together and enable citizens to work, travel, and shop. Americans enjoy unprecedented freedom and convenience, as our whole economy is directly dependent upon this mobility. This makes the entire nation, in effect, one gigantic assembly line for the production and transport of goods.

Because of the importance of the U.S. transportation system, many believe that only the government can own and manage it. This is not the case. Privatization of the public highway system would provide economic efficiencies and other benefits.

Private ownership, which would include competitive roads owned by people and corporations that can charge tolls, would allow the incentive for profit to benefit consumers, as it does in other areas of our lives. We would see the results in increased safety, reduced traffic congestion, and, of course, tax savings.

The public highway system is a prime example of a public firm that is large in size, lax in management, and a costly burden to taxpayers. Public highways are suffering from problems of urban traffic congestion, poor maintenance, and high fatalities. The demands on road systems are continually changing in a society where in months a new shopping center, office complex, or residential area can appear.

According to the American Public Works Association, Americans spend more than two billion hours tied up in traffic on urban highways each year. The Federal Highway Administration (FHA) estimates that over the next 20 years travel on public highways will rise by two-thirds, adding even more strains to an already overburdened system. The FHA also estimates that over 234,500 miles of U.S. roads are in either poor or mediocre condition.

Every year, thousands of people lose their lives in highway accidents. Fatal crashes are variously attributed to vehicle speed, intoxication of the driver, lack of safety regulations, or mechanical failures. These are proximate causes, but government management and control are major factors as well. While there will always be some accidents, as long as customers wanted safety, private owners would compete to provide it. If a good safety record on a road attracted customers, it would be in the interest of owners to provide it.

Owners of airlines know the importance of safety and regular maintenance of their aircraft, for they face the consequences when safety fails. If the cause is believed to be the airline's, customers choose another carrier. As a result, air transportation is extremely safe.

But today's highway monopoly means that there is no monetary incentive for government to improve its safety record. People have to drive regardless of the safety of the road.

Traffic Congestion

Another major concern about the public highway system is the massive congestion in

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and around many of the urban areas during rush-hour periods. This not only leads to aggravation and waste of gas while idling in traffic but also constitutes an immense loss of time and productivity. According to Representative Thomas Petri, chairman in the 104th Congress of the House Surface Transportation Subcommittee, if each Federal Express and United Parcel Service driver encounters traffic delays for five minutes in a day, the cost mounts to $40 million over the course of a year. Multiplying this by all U.S. drivers gives some rough indicator of the cost to society.

The government has come up with ways to address the traffic problem, but none has worked. For example, the federal government has called for employers to stagger work hours for their employees so that the traffic coming into urban areas would be spread out more. In some states, special lanes for "high-occupancy vehicles" have been constructed at great expense. For many drivers, the inconvenience or impracticality of carpooling overrides the benefit of such a contrivance.

Owners of private highways would undoubtedly offer cheaper rates at off-peak times, thus providing a monetary incentive for staggered work hours. With today's highways, governments, too, could employ such a procedure. But instead of charging more for peak road travelers, the state usually charges less. It is common to reduce the price for regular commuters who purchase tokens for 40 or more trips a month. These are precisely the peak-load users who add to the congestion.

Other "solutions" the government has come up with are one-way streets and limited turns in busy areas. While these are intended to cut down on traffic, the secondary effects are often the opposite. The restrictions may necessitate circuitous routes and drivers may end up driving more. This increases the amount of miles driven in certain areas within a constrained time period.

Under private ownership, the builder of a road would want to secure the highest profits with the least cost. The builder would consider the businesses and residents located near the highway. A system where the transportation owners worked cooperatively with industry and residents would encourage efficiency as well as profits for the road owner.

The owner of a private highway would need to satisfy the customer in order to make profits. The governmental public "owner" of the highway, the politician, is usually able to give the customer poor service and does not need to satisfy the voter in order to receive money. If the public enterprise is sued for negligence, the person in charge does not directly pay; all monies come out of general tax revenues. In the case of private ownership, the owner must pay. Thus there are much higher incentives for the private owner to provide good service.

Today it is difficult to imagine a private highway system because the government has owned almost all roads for most of the twentieth century. But in Anaheim, California, over 30,000 drivers are using the new "91 Express Lanes," a ten-mile automated toll road.

The 91 Express Lanes was developed, financed, and operated by the California Private Transportation Company (CPTC) in response to motorists' frustration with the amount of traffic on the Riverside Freeway (route 91). The toll road was built without a dollar of state or federal funds. It is the world's first fully automated toll road, it is the first example of congestion pricing in America, and is the first toll road to be privately financed in the United States in more than 50 years. "We're seeing a steady, upward trend both in the use of the Express Lanes and in growth of our customer base," says CPTC General Manager Greg Husizer.

Yes, private owners should be able to manage the highway system and provide the same level of efficiency as they are able to do in other aspects of our lives. With Express Lanes 91, we may see in microcosm the improvement that could be achieved with private ownership of highways. □

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THE FREEMAN
IDEAS ON LIBERTY

Frederick Douglass—Heroic Orator for Liberty

by Jim Powell

Frederick Douglass made himself the most compelling witness to the evils of slavery and prejudice.

He suffered as his master broke up his family. He endured whippings and beatings. In the antebellum South, it was illegal to teach slaves how to read and write, but Douglass learned anyway, and he secretly educated other slaves. After he escaped to freedom, he tirelessly addressed antislavery meetings throughout the North and the British Isles for more than two decades. When it became clear that the Civil War was only a bloody benchmark in the struggle, he spearheaded the protest against Northern prejudice and Southern states that subverted the newly won civil liberties of blacks.

Douglass embraced the ideal of equal freedom. He supported women's suffrage, saying "we hold woman to be justly entitled to all we claim for man." He urged toleration for persecuted immigrants—"I know of no rights of race superior to the rights of humanity." Overseas, he joined the great Daniel O'Connell in demanding Irish freedom, and he shared lecture platforms with Richard Cobden and John Bright, speaking out for free trade.

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Douglass believed that private property, competitive enterprise, and self-help are essential for human progress. "Property," he wrote, "will produce for us the only condition upon which any people can rise to the dignity of genuine manhood. . . . Knowledge, wisdom, culture, refinement, manners, are all founded on work and the wealth which work brings. . . . Without money, there's no leisure, without leisure no thought, without thought no progress."

Critics considered Douglass stubborn, arrogant, and overly sensitive to slights, but he earned respect from friends of freedom. For years he appeared on lecture platforms with William Lloyd Garrison and Wendell Phillips, leading lights of the antislavery movement. *Uncle Tom's Cabin* author Harriet Beecher Stowe praised Douglass. He impressed essayist Ralph Waldo Emerson, who declared: "Here is Man; and if you have man, black or white is an insignificance." Mark Twain was proud to count Douglass as a friend. John Bright contributed money to help buy his freedom. "He saw it all, lived it all, and overcame it all," exulted black self-help pioneer Booker T. Washington.

An American observer recalled Douglass's presence as a speaker: "He was more than six feet in height, and his majestic form, as he rose to speak, straight as an arrow, muscular, yet lithe and graceful, his flashing eye, and more than all, his voice, that rivaled Webster's in its richness, and in the depth and sono-

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rousness of its cadences, made up such an ideal of an orator as the listeners never forgot."

Individualist feminist Elizabeth Cady Stanton saw how, at a Boston antislavery meeting, "with wit, satire, and indignation [Douglass] graphically described the bitterness of slavery and the humiliation of subjection to those who, in all human virtues and powers, were inferior to himself. . . . Around him sat the great antislavery orators of the day, earnestly watching the effect of his eloquence on that immense audience, that laughed and wept by turns, completely carried away by the wondrous gifts of his pathos and humor . . . all the other speakers seemed tame after Frederick Douglass . . . [he] stood there like an African prince, majestic in his wrath."

Born into Slavery

Frederick Douglass was born Frederick Augustus Washington Bailey sometime in February 1818—slave births weren't recorded—on a plantation along Maryland's eastern shore, near Easton. He didn't know who his father was, though he became convinced his father must have been a white man. His mother, Harriet Bailey, was a slave, and consequently all her children were condemned to be slaves. Frederick was soon separated from her. "I never saw my mother, to know her as such, more than four or five times in my life," Frederick recalled, "and each of these times was very short in duration, and at night."

His mother died when he was seven. "I was not allowed to be present during her illness, at her death, or burial," he noted. "She was long gone before I knew any thing about it." He added: "I never think of this terrible interference of slavery with my infantile affections without feelings to which I can give no adequate expression."

Frederick was taken to the mansion of Edward Lloyd, who was former Maryland governor and U.S. senator and among the richest men in the South. Lloyd owned a number of farms, each managed by an overseer. Frederick remembered how one overseer, Austin Gore, was whipping a slave named Denby. When Denby tried to escape into a stream, Gore shot him dead—and got away with it. "Killing a slave, or any colored person, in Talbot County, Maryland," Frederick explained, "is not treated as a crime." On another occasion, Frederick saw his aunt Hester mercilessly beaten.

In November 1826, young Frederick was assigned to Thomas Auld, who sent him to his brother Hugh in Baltimore. Hugh and his wife, Sophia, didn't own any other slaves. She read to the child from the Bible, and he noticed the connection between marks on the page and the words she spoke. She began teaching him the alphabet. When her husband learned about this he was outraged. As Frederick later recalled, Hugh Auld snarled that "If you learn him how to read, he'll want to know how to write; and this accomplished, he'll be running away with himself."

Young Frederick learned more on the streets of Baltimore: "when I met with any boy who I knew could write, I would tell him I could write as well as he. The next word would be, 'I don't believe you. Let me see you try it.' I would then make the letters which I had been so fortunate as to learn, and ask him to beat that. In this way I got a good many lessons in writing, which it is quite possible I should never have gotten in any other way. During this time, my copy-book was the board fence, brick wall, and pavement; my pen and ink was a lump of chalk. With these, I learned mainly how to write."

When Frederick was 12, he heard his friends read from a collection of great speeches, assigned in school. He took 50 cents that he had hoarded, went to Knight's Bookstore, and bought his own copy of *The Columbian Orator*. Compiled by Caleb Bingham, it first appeared in 1797 and went through many editions. It offered great speeches by Marcus Tullius Cicero, William Pitt the Elder, Richard Brinsley Sheridan, and Charles James Fox, among others. "Alone, behind the shipyard wall," reported biographer William McFeely, "Frederick Bailey read aloud. Laboriously, studiously, at first, then fluently, melodically, he recited great speeches. With *The Columbian Orator* in his hand, with the words of great speakers coming from his

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mouth, he was rehearsing. He was readying the sounds—and meanings—of words of his own that he would one day write. He had the whole world before him. He was Cato before the Roman senate, Pitt before Parliament defending American liberty, Sheridan arguing for Catholic emancipation, Washington bidding his officers farewell." The book included a "Dialogue between Master and Slave," in which the slave tells the master he wants not kindness but liberty. There was also a short play, "Slave in Barbary," where the ruler Hamet declares: "Let it be remembered, there is no luxury so exquisite as the exercise of humanity, and no post so honourable as his, who defends the rights of man."

"The silver trump of freedom had roused my soul to eternal wakefulness," Frederick recounted. "Freedom now appeared, to disappear no more forever. It was heard in every sound, and seen in every thing. It was ever present to torment me with a sense of my wretched condition. I saw nothing without seeing it, I heard nothing without hearing it, and felt nothing without feeling it. It looked from every star, it smiled in every calm, breathed in every wind, and moved in every storm."

In March 1832, Thomas Auld decided he needed Frederick, and had him returned to Auld's place in St. Michaels, Maryland. Auld discovered that the taste of freedom in Baltimore had a pernicious effect on the young man and that harsh discipline was called for. Accordingly, in January 1833, Frederick was hired out as a field hand to Edward Covey, a small tenant farmer nearby. Covey was an intensely religious man known to be ruthlessly cruel to slaves. For instance, after Frederick lost control of some draft animals, Covey "went to a large gum-tree, and with his axe cut three large switches, and, after trimming them up neatly with his pocket-knife, he ordered me to take off my clothes. I made him no answer, but stood with my clothes on. He repeated the order. I still made him no answer, nor did I move to strip myself. Upon this he rushed at me with the fierceness of a tiger, tore off my clothes, and lashed me till he had worn out his switches. . . ."

Covey attacked him on another occasion, but this time Frederick fought back. He kicked Covey's cousin, who tried to intervene. Covey ordered other slaves to subdue Frederick but they affected ignorance. The young slave prevailed with his powerful arms and indomitable spirit. During the six months that he remained with Covey, he wasn't whipped again.

Education for Freedom

He resolved to be free, and he did what he could to nourish the spirit of freedom in others. At the house of a free black man, he educated some 40 slaves with his *Columbian Orator* and a copy of *Webster's Spelling Book*, which he apparently had acquired from a friend. "These dear souls came not to Sabbath school because it was popular to do so, nor did I teach them because it was reputable to be thus engaged," he wrote. "Every moment they spent in that school, they were liable to be taken up, and given thirty-nine lashes. They came because they wished to learn. Their minds had been starved by their cruel masters. They had been shut up in mental darkness. . . . The work of instructing my dear fellow-slaves was the sweetest engagement with which I was ever blessed."

In April 1836, Frederick Bailey and four other slaves plotted their escape, but the men were betrayed. They were dragged behind horses some 15 miles to the Easton jail. Frederick was considered a dangerous influence on a plantation, and Thomas Auld decided that he should be turned back over to his brother Hugh in Baltimore.

Frederick got a job in Gardiner's shipyard as an apprentice caulker, but white workers resented the presence of a black man. Four attacked him, bashing him with fists, a brick, and a heavy metal bar. Somehow he stumbled home. Hugh Auld went to the local magistrate's office, outraged at this assault on his personal property, but the magistrate insisted it was impossible to press charges against the assailants: "I cannot move in this matter except upon the oath of white witnesses."

In the spring of 1838, Thomas Auld came to Baltimore on business, and 20-year-old

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Frederick boldly proposed a deal: let him be free to hire himself out, he would buy his own tools, he would pay his own room and board, and he would remit some of his pay—$3 per week. The answer was no. Two months later, Frederick proposed the same deal to Hugh Auld who—unaware his brother had nixed it—concluded that approval might help keep the restless young man from running away. "This arrangement," Frederick acknowledged, "was decidedly in my master's favor. . . . I found it a hard bargain. But, hard as it was, I thought it better than the old mode of getting along. It was a step towards freedom to be allowed to bear the responsibilities of a freeman, and I was determined to hold on upon it."

Frederick Bailey focused single-mindedly on making money. Buying his freedom, were Thomas Auld willing to sell, might cost $1,000. If he ran away, he had to get black-market "free papers," which every free black was required to carry to prove the bearer wasn't a slave.

During his spare time, he joined the East Baltimore Mental Improvement Society, an association of free black caulkers. They gathered to sharpen their intellects by conducting debates. Perhaps more important, he learned much about living on one's own—and escaping to freedom.

Meanwhile, he met Anna Murray, a free black woman whose parents reportedly had been freed before her birth. She was about five years older than he and worked as a domestic servant in Baltimore. Although she was illiterate, she was probably the one who encouraged him to play the violin. This became a cherished pastime throughout his life, and he especially loved Handel, Haydn, and Mozart.

In August 1838, Hugh Auld demanded that Frederick move back where he could be watched and that he remit all his earnings. Anna reportedly raised money for her companion's escape by selling a featherbed. Since he had worked around the Baltimore docks, he could talk like a sailor, and he decided to escape dressed like a sailor—a red shirt, a flat-topped sailor's hat, and a handkerchief around his neck.

Escape

On September 3, 1838, he boarded a crowded northbound train, and when the conductor asked for his free papers, he replied: "No sir, I never carry my free papers to sea with me." He presented seaman's papers (used by American sailors when traveling overseas), borrowed from a retired free black sailor. Apparently impressed by the American eagle at the top, the conductor didn't notice that the papers described someone else. At Havre de Grace, Frederick boarded a ferry that crossed the Susquehanna River. He encountered a Baltimore acquaintance who wanted to know what he was doing, but got out of that conversation quickly. On the other side of the river, while boarding another northbound train, he saw two more acquaintances who would have recognized him as a slave, but luckily nothing happened. A steamship took him to Philadelphia.

He didn't linger. He boarded a ferry, a night train, and another ferry for New York, where he would be more likely to elude slave-hunters. As an extra precaution, he adopted the name "Johnson." He exulted: "A free state around me, and a free earth under my feet! What a moment was this to me! A whole year was pressed into a single day. A new world burst upon my agitated vision."

Anna joined him in New York, and they were married. He met with an abolitionist named David Ruggles, who advised him that it wasn't safe to remain in New York because of all the slave-hunters. Ruggles recommended that Frederick, as a skilled caulker, should be able to quickly find a job in New Bedford, Massachusetts, where a lot of ships were being built for the whaling industry. New Bedford had some 12,000 people, a black community, and a significant contingent of antislavery Quakers.

Frederick marveled at the prosperity in New Bedford. "I had very strangely supposed, while in slavery, that few of the comforts, and scarcely any of the luxuries, of life were enjoyed at the north, compared with what were enjoyed by slaveholders of the south. I probably came to this conclusion from the fact that northern people owned no slaves. I

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supposed that they were about upon a level with the non-slaveholding population of the south. I knew *they* were exceedingly poor, and I had been accustomed to regard their poverty as the necessary consequence of their being non-slaveholders. I had somehow imbibed the opinion that, in the absence of slaves, there could be no wealth, and very little refinement. . . ."

"In the afternoon of the day when I reached New Bedford, I visited the wharves to take a view of the shipping. Here I found myself surrounded with the strongest proofs of wealth. Lying at the wharves, and riding in the stream, I saw many ships of the finest model, in the best order, and of the largest size. Upon the right and left, I was walled in by granite warehouses of the widest dimensions, stowed to their utmost capacity with the necessaries and comforts of life. Added to this, almost every body seemed to be at work, but noiselessly so, compared with what I had been accustomed to in Baltimore. . . . I heard no deep oaths or horrid curses on the laborer. I saw no whipping of men; but all seemed to go smoothly on. Every man appeared to understand his work, and went at it with a sober yet cheerful earnestness, which betokened the deep interest which he felt in what he was doing, as well as a sense of his own dignity as a man. To me this looked exceedingly strange. From the wharves I strolled around and over the town, gazing with wonder and admiration at the splendid churches, beautiful dwellings, and finely-cultivated gardens; evincing an amount of wealth, comfort, taste, and refinement, such as I had never seen in any part of slaveholding Maryland."

A New Life

Until the couple found their own lodgings, they stayed with black caterers Mary and Nathan Johnson. Frederick reported that Nathan read "more newspapers, better understood the moral, religious, and political character of the nation,—than nine tenths of the slaveholders in Talbot county, Maryland. Yet Mr. Johnson was a working man. His hands were hardened by toil, and not his alone, but those also of Mrs. Johnson. I found the colored people much more spirited than I had supposed they would be. I found among them a determination to protect each other from the blood-thirsty kidnapper, at all hazards." Nathan suggested that since so many blacks were named Johnson, Frederick Bailey ought to adopt something different—like Douglas, the name of a Scottish lord in Walter Scott's poem *The Lady of the Lake*. He did, adding an extra "s" for more individuality.

Douglass tried to earn a living as skilled caulker at $2 per day, but white shipyard workers announced they would leave the job site if he were hired. He had to settle for $1-per-day jobs like shoveling coal, sawing wood, hauling garbage, and cleaning ships. Eventually he landed a steady job at a Quaker-owned whale-oil refinery.

He and Anna attended the African Methodist Episcopal Zion Church. The minister, Thomas James, was active in the antislavery movement and editor of a twice-monthly publication called *The Rights of Man*. James was impressed with his new parishioner and the articulate Douglass became a lay preacher. On March 12, 1839, he rose at a church meeting and delivered a speech denouncing proposals that blacks be shipped back to Africa. He insisted blacks should be free here in America. His remarks were stirring enough to be mentioned in *The Liberator*, the radical antislavery newspaper that William Lloyd Garrison had published weekly since January 1831. At an antislavery meeting attended mostly by whites, James encouraged Douglass to tell his personal story.

In April, Garrison himself appeared at New Bedford's Mechanics Hall, addressing blacks as well as whites. The son of an impecunious Massachusetts sea captain who disappeared when he was three, Garrison had started his career as a printer, and in 1828 pioneering abolitionist Benjamin Lundy won him over to the antislavery movement. Garrison helped launch the Massachusetts Anti-Slavery Society (1831) and the New England Anti-Slavery Society (1831), and he joined with antislavery crusaders in New York and Philadelphia to establish the American Anti-Slavery Society (1833). His goal: immediate abolition. He opposed political action since he considered

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the Constitution to be hopelessly compromised by slavery. He was committed to a nonviolent strategy of moral suasion. He favored expelling slave states from the Union. Although he became unpopular for hammering clergymen who defended slavery, he was an intensely religious man. He insisted that slavery was an abomination which violated the "higher law" of morality. That April night, he thundered, "NO COMPROMISE WITH SLAVERY! NO UNION WITH SLAVEHOLDERS!" Douglass decided he, too, must be an orator against slavery.

Speaking Out Against Slavery

Later that year, Douglass appeared before the Bristol County Anti-Slavery Society to talk about his experiences as a slave. Among those attending was William C. Coffin, a bank bookkeeper and member of the Coffin clan from Nantucket—a hotbed of the abolitionist movement. Coffin invited Douglass to speak at a big Nantucket gathering of the Massachusetts Anti-Slavery Society, starting the next day. Garrison and his compatriot Wendell Phillips would be there.

Phillips, tall, slim, and Harvard-trained, had been a Boston lawyer. In 1837, a proslavery mob murdered an abolitionist printer, and Phillips committed his life to abolition. He soon emerged as the most powerful antislavery orator. He used plain language and spoke with quiet intensity. He was a skilled debater who, without taking any notes, could reply point by point to a complex presentation. John Bright exclaimed that "there was no orator superior to him who spoke the English language." A Boston journalist called Phillips the "anti-slavery Cicero."

When it was Douglass's turn to speak, recalled Garrison, "He came forward to the platform with a hesitancy and embarrassment. After apologizing for his ignorance, and reminding the audience that slavery was a poor school for the human intellect and heart, he proceeded to narrate some of the facts in his own history as a slave, and in the course of his speech gave utterance to many noble thoughts and thrilling reflections. As soon as he had taken his seat, filled with hope and admiration, I rose, and declared that Patrick Henry, of revolutionary fame, never made a speech more eloquent in the cause of liberty. . . ."

Douglass was asked to become a salaried speaker for the Massachusetts Anti-Slavery Society on a three-month trial basis. It was tough going because most Northerners were either uninterested in slavery or considered abolitionists as troublemakers. In many Northern towns, a black speaker wasn't welcome. But Douglass inspired people with his oratory. He entertained by mimicking Northern hypocrites and Southern slaveholders. He engaged hecklers.

He joined Garrison, Phillips, Stephen S. Foster, and Charles Lenox Remond, speaking wherever a couple dozen people could be gathered. The most controversial speaking combination mixed races and sexes: Douglass, radical Abby Kelley, and white orthopedic surgeon Erasmus Hudson. Altogether, Douglass appeared in some 60 towns throughout Massachusetts, New Hampshire, and Rhode Island. Train travel with other antislavery speakers was difficult, because conductors often ordered him to the "Negro car"—and when he refused, he was thrown off the train.

Many times, there was violence. In Indiana, hecklers threw eggs and stones at the speakers. A mob went after Douglass, shouting vile epithets. One assailant broke Douglass's right hand with a club. Douglass might have been killed had it not been for the intervention of his white compatriot William White. Later Douglas wrote White: "I shall never forget how like two very brothers we were ready to dare, do, and even die for each other."

Increasingly, he spoke out on racial prejudice as well as slavery. "Prejudice against color is stronger north than south," he observed, "it hangs around my neck like a heavy weight." Douglass was such a hit that in 1842 the Massachusetts Anti-Slavery Society retained him as a regular agent. He delivered over 100 speeches a year, and he became a valued contributor to *The Liberator*.

His first autobiography, *Narrative of the Life of Frederick Douglass* (June 1845), helped secure his fame. It was written as an antislavery tract, with details of his escape left out to protect others. Published by the Anti-

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Slavery Office, Boston, the book included a letter by Phillips and a preface by Garrison. Douglass, wrote Garrison, offers a "union of head and heart, which is indispensable to an enlightenment of the heads and a winning of the hearts of others." Soon there were three European editions, and total sales reportedly reached 30,000 within five years.

Time Abroad

Douglass seemed like a natural to help turn Europeans against the South, thus isolating it in the international community. On August 16, 1845, he left Boston aboard the Cunard steamer *Cambria*. Denied a cabin, however, he went steerage—the most humble accommodations. The speaking tour began in Ireland, and Douglass was horrified at Irish poverty, which was worse than anything he had experienced. At a gathering of some 20,000 people, he shared the lecture platform with Daniel O'Connell, the legendary orator for Irish emancipation. He was moved when Irishmen dubbed him the "Black O'Connell of the United States." Douglass realized that blacks weren't the only ones struggling to be free.

One million Irish died of starvation following the failure of the potato crop that year, and Douglass joined cool-headed free trade agitator Richard Cobden and his compatriot John Bright, a passionate speaker. The threesome traveled from town to town, demanding immediate repeal of the corn laws (grain tariffs), so desperate people could buy cheap food. Douglass was welcomed at London's Free-Trade Club, and he cherished his times as "a welcome guest at the house of Mr. Bright in Rochdale . . . treated as a friend and brother among his brothers and sisters."

Garrison arrived, and he and Douglass resumed the antislavery crusade, addressing audiences in Scotland, England, and Wales. They dramatized the evils of American slavery, attacked clergymen who supported slavery, called on people to cut off ties with the slaveholding South, and asked for contributions.

Meanwhile, Douglass learned that Thomas Auld had sold him to Hugh Auld, and that Hugh was determined to have him captured when he returned to the United States. Since Douglass had become a key player in the abolitionist movement, his friends thought it best to purchase his freedom. The agreed-on price was £150. John Bright kicked off the fund-raising with a £50 check. The rest came quickly, and Hugh Auld received $711.60. Douglass was legally free on December 12, 1845. Most abolitionists criticized the move for seeming to sanction the buying and selling of human beings, but Garrison thought it made sense. Douglass sailed for the United States on April 4, 1847. He returned with considerable prestige, having enlarged his vision, proven himself in a strange land, and won acclaim from famous freedom fighters.

The Compromise of 1850

Unfortunately, all the speaking out seemed to have little impact on government policy. Proslavery forces controlled the federal government. James K. Polk had been elected president in 1844, and he launched the Mexican War, which was viewed by Douglass and other abolitionists as a scheme for expanding slavery. In 1848, Polk was succeeded by Zachary Taylor, the slave-owning hero of the Mexican War. Kentucky Senator Henry Clay forged the notorious Compromise of 1850, which specified that the federal government would enforce slavery where it was already established, that California would join the Union as a free state, and that Utah and New Mexico could become slave states later.

The Compromise included a tougher Fugitive Slave Act, requiring federal law enforcement officials to help return runaway slaves. During the next decade, there were 81 fugitive slave cases under this law. It inflamed northern opinion as nothing before, and Garrison, Phillips, Douglass, and other antislavery speakers made the most of the situation. The American Anti-Slavery Society grew to some 2,000 local societies with over 200,000 members. As William McFeely noted, "Those who wanted to hear no more of the slavery question slowly came to realize that nothing would ever silence these antislavery people.

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They would keep up their agitation, against all odds, until—finally—slavery was ended."

Increasing numbers of people helped the Underground Railroad. Eleven northern states—all except Ohio and Indiana—made it illegal to return a runaway slave. Disobeying the Fugitive Slave Law became a patriotic thing to do. Reportedly, a slave could go from a border state to Canada within 48 hours. Many a runaway slave showed up at Douglass's three-story Rochester, New York, home, and his family took care of them until they could go the seven miles to Charlotte and catch a steamer across Lake Ontario to Canada. Douglass knew Harriet Tubman, the black woman who became famous for making 19 trips down South and escorting some 300 slaves to freedom. Most escapes occurred during the winter when there was less supervision on plantations, and Douglass tirelessly raised money to provide the destitute runaways with warm clothing and food.

Douglass and Garrison, however, began to move apart because Douglass was determined to be his own man, while Garrison believed his organization should lead the antislavery movement. Douglass continued to refine his speaking technique, despite Garrison's concern that audiences would doubt "you were ever a slave." He came to believe in all peaceful means against slavery, including political action. After all, the number of antislavery Congressmen increased during the 1840s.

Douglass talked about starting his own antislavery newspaper, an idea bitterly opposed by Garrison's people. On December 3, 1847, with $4,000 raised from his speaking tour in the British Isles, Douglass published the first issue of *North Star*. He was to keep it going for 17 years. He traveled constantly, speaking against slavery and urging people to subscribe.

On July 19–20, 1848, he spoke at the Seneca Falls convention that Elizabeth Cady Stanton had organized to promote women's rights. Douglass was the only male present who supported women's suffrage—32 men and 68 women attended. He agreed that wives should, if they wished, be able to earn their own money; that widows, like widowers, should be able to serve as legal guardians of their children; that women, like men, should be able to own property, inherit property, and administer estates.

More and more, Douglass became convinced he must plunge into political action. In a speech delivered July 5, 1852—considered by some to be the greatest antislavery oration—he defended the Constitution: "interpreted as it *ought* to be interpreted, the Constitution is a GLORIOUS LIBERTY DOCUMENT."

By this time, Douglass and Garrison had split for good, although Douglass never publicly mentioned the break. Garrison's people carped about how Douglass was selfish and temperamental. Douglass's friend Harriet Beecher Stowe, who had electrified the antislavery movement with her 1852 bestseller *Uncle Tom's Cabin*, wrote Garrison in an unsuccessful effort at reconciliation: "Why is he any more to be called an apostate for having spoken ill-tempered things of former friends than they for having spoken severely and cruelly as they have of him ... where is this work of excommunication to end? Is there but one true anti-slavery church and all others infidels?"

Douglass's second autobiography, *My Bondage and My Freedom*, was published in 1855. He expanded his story about slavery, offered his firsthand view of the antislavery movement, and affirmed his confidence that it would triumph.

The Fight Continues

The personal costs of Douglass's antislavery campaign were high. He spent hardly any time at home. He missed seeing his five children growing up. Douglass's wife, Anna, resented being left alone to tend the children and earn extra money.

But Douglass was in the thick of fast-moving events. In the notorious *Dred Scott* decision, March 6, 1857, Supreme Court Chief Justice Roger B. Taney ruled that neither a slave, nor a former slave, nor a descendant of slaves could become a U.S. citizen. He further ruled that Congress couldn't outlaw slavery in new U.S. territories.

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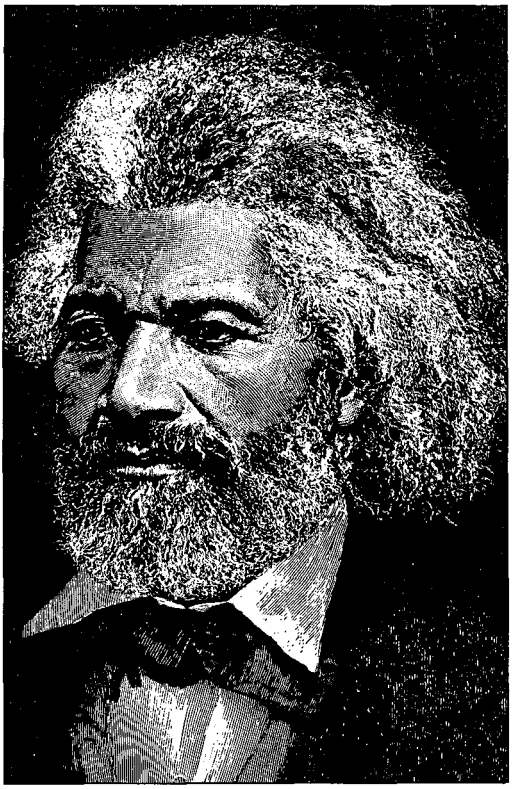

Frederick Douglass

The political situation seemed desperate enough that Douglass was willing to hear any ideas that might help the fight against slavery. In 1858, the former Massachusetts tanner John Brown was at Douglass's Rochester home, working on his idea for stirring a slave insurrection and forming a black state in the Appalachian mountains. Douglass reportedly provided financial support. He respected Brown as a man who had courageously led dozens of Missouri slaves to freedom and fought to keep Kansas free.

But Brown abandoned the idea of a black state as he planned a raid on a federal arsenal at Harpers Ferry, Virginia. The idea was to capture arms and distribute them to slaves. Douglass warned this was suicidal—there were only about 5,000 blacks versus 100,000 whites in the region. On October 16, 1859, Brown and 22 followers seized the arsenal, but they were captured by Robert E. Lee's marines.

Douglass became implicated after investigators found his correspondence among Brown's papers, and the order went out to arrest him. He fled to Canada and then to England and Scotland where, conveniently, he was already booked for a lecture tour. Brown was hanged on December 2, 1859. Three months later, when Douglass was in Glasgow, he got word that his 10-year-old daughter Annie had died, and he resolved to go home. He cautiously took an indirect route, to Maine, Montreal, and then Rochester. About this time, he got lucky. There was a backlash of public outrage against slavery, and Congress feared that further hangings would make more martyrs. Accordingly, it closed the John Brown affair. Within just a few months, Douglass's association with John Brown had gone from a big liability to a badge of honor.

Douglass spoke forcefully for Republican presidential candidate Abraham Lincoln, but he was shocked to discover that large numbers of Northerners blamed abolitionists for the crisis of the Union. At a December 3, 1860, Boston rally, Douglass found himself in a riot as Unionists fought abolitionists. Then after the April 1861 firing on Fort Sumter, which marked the beginning of the Civil War, President Lincoln made clear this was a struggle to preserve the Union, not to abolish slavery. Lincoln's policy was that runaway slaves must be returned to their masters. Lincoln overruled General John C. Frémont, who had emancipated slaves in Missouri.

Douglass demanded "the unrestricted and complete Emancipation of every slave in the United States whether claimed by loyal or disloyal masters. This is the lesson of the Hour." On January 1, 1863, Lincoln issued an Emancipation Proclamation saying that slaves were liberated in rebellious states—which he obviously didn't control. The Proclamation didn't free slaves in the North. But Douglass hailed it because it made the abolition of slavery a war aim.

Alas, Douglass was swept away by war fever like almost everybody else. Although he didn't enlist himself, he delivered speeches encouraging black men to join the Union army. Douglass's aim was to help win the war and gain respect for blacks. But Douglass's efforts backfired to some extent when, during

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riots against military conscription, angry whites blamed blacks for starting the Civil War. While the North welcomed black volunteers into segregated fighting units like the Fifty-Fourth Massachusetts Volunteers, blacks were paid less than whites and weren't promoted into the ranks of noncommissioned officers.

Especially after his cordial White House meeting with President Lincoln, Douglass became a Republican booster, but war casualties soared with no end in sight, generating pressures to compromise. As another presidential election year approached, there was talk about a negotiated peace that would let the South maintain slavery. Lincoln's likely Democratic opponent, General George McClellan, promised he wouldn't end slavery in rebel states. Douglass countered: "no war but an Abolition war; no peace but an Abolition peace; liberty for all, chains for none; the black man a soldier in war; a laborer in peace; a voter at the South as well as at the North; America his permanent home, and all Americans his fellow-countrymen."

War's End

The Civil War ended on April 9, 1865, and five days later Lincoln was assassinated. Douglass certainly admired Lincoln but acknowledged: "He was ready to execute all the supposed constitutional guaranties of the United States Constitution in favor of the slave system anywhere inside the slave States. He was willing to pursue, recapture, and send back the fugitive slave to his master, and to suppress a slave rising for liberty, though his guilty master were already in arms against the Government. The race to which we belong were not the special objects of his consideration."

With slavery abolished, Garrison as well as many others in the antislavery movement considered their work done. But Douglass focused on what had always been his long-term goal: to help blacks achieve their human potential and live in harmony with whites.

How to achieve these things? There weren't any good choices. War-weary Northerners didn't want to hear about the problems of blacks. Embittered Southerners were determined to get their revenge. Douglass hoped for federal action, but Andrew Johnson, who had succeeded Lincoln as president, did nothing while white Southerners reasserted their power over blacks. They enacted "Black Codes" that effectively denied blacks their civil rights. For example: Mississippi specified that blacks could not live in a particular place or hold a job unless they got a (white-controlled) government license which could be revoked at any time. Johnson told blacks they should prove they had the right to be free.

Douglass set his sights on getting blacks the vote, so they could establish a political presence—blacks were denied the vote in Connecticut, New Jersey, Pennsylvania, and several western states. He took leave of his family once more and crisscrossed the country. His rallying cry: "They gave us the bullet to save themselves; they will yet give the ballot to save themselves."

But it became politically impossible to push for giving both blacks and women the vote at the same time, and feminists refused to support black suffrage if women weren't part of the deal. Things got nasty with Susan B. Anthony, among others, taking swipes at the intelligence of black men. Douglass's view: "While the negro is mobbed, beaten, shot, stabbed, hanged, burnt and is the target of all that is malignant in the North and all that is murderous in the South, his claims may be preferred by me without exposing in any wise myself to the imputation of narrowness or meanness toward the cause of woman." Immediately after the March 30, 1870, adoption of the Fifteenth Amendment, granting blacks the right to vote, Douglass urged a new campaign for female suffrage.

Douglass hitched himself to the Republican Party during the long sunset of his career, because the Democratic Party was committed to undoing black gains. He campaigned for Republican presidential candidates, and for his trouble he was named to inconsequential posts—Marshal in the District of Columbia, Recorder of Deeds and Consul-General to Haiti. He hoped to influence government

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policy but didn't. His posts provided some cover for Republican presidents who sold out blacks in the South. On October 15, 1883, eight out of nine Republican Supreme Court justices ruled that state legislatures had jurisdiction over civil rights, affirming the triumph of white supremacy in the South.

There was an open season on blacks. They were excluded from white labor unions. Terrorist groups like the Pale Faces, Knights of the White Camelia and, of course, the Ku Klux Klan, burned black homes, schools, and churches. Blacks were lynched, and neither state nor federal governments did much, if anything.

It was through his private efforts, not any political connections, that Douglass fought these evils. "A white man has but to blacken his face and commit a crime, to have some negro lynched in his stead," he protested. "An abandoned woman has only to start the cry that she has been insulted by a black man, to have him arrested and summarily murdered by the mob. Frightened and tortured by his captors, confused into telling crooked stories about his whereabouts at the time when the alleged crime was committed and the death penalty is at once inflicted, though his story may be but the incoherency of ignorance or distraction caused by terror."

"The problem," he insisted, "is whether the American people have loyalty enough, honor enough, patriotism enough, to live up to their Constitution. . . . We Negroes love our country. We fought for it. We ask only that we be treated as well as those who fought against it." Douglass rejected the thought that "one class must rule over another." He pleaded: "Let the nation try justice and the problem will be solved."

Douglass returned to his theme of self-help. "The question now is, will the black man do as much now for his master (himself) as he used to do for his old master?" He encouraged black parents: "Educate your sons and daughters, send them to school . . . into mechanical trades; press them into blacksmith-shops, the wheelwright-shops, the cooper-shops, and the tailor-shops. . . . Trades are important. Wherever a man may be thrown by misfortune, if he have in his hands a useful trade, he is useful to his fellow-men, and will be esteemed accordingly. . . ."

In 1881, he published *The Life and Times of Frederick Douglass*. He provided more details about his experience as a slave, revealed (for the first time) how he escaped and offered his comments on the Civil War and subsequent events. His concern was that Americans should never forget the evils of slavery. Douglass issued an expanded edition of the book in 1892.

Douglass's last years brought much sadness. He had launched a newspaper, the *New National Era*, but it failed and cost him $10,000. His grown children were all dependent on him for financial support. His wife, Anna, died on August 4, 1882. Two years later, he married a white abolitionist, Helen Pitts, antagonizing both blacks and whites.

After arsonists torched his beloved Rochester home, Douglass moved to a 20-room white frame house on 23 acres across the Anacostia River from Washington, D.C. The place had once been owned by Robert E. Lee. Called Cedar Hill, it included a library and a music room where Douglass could play his violin.

On February 20, 1895, he attended a Washington, D.C., rally for women's rights. When he finished dinner that night, he rose from his chair, then collapsed and died. There was a private funeral service at his home, and the casket was moved to the Metropolitan African Methodist Episcopal Church where tremendous crowds, including thousands of children, paid their respects. After another service at Rochester's Central Church, he was buried in Mount Home Cemetery near his daughter and his first wife.

More than anyone else, Douglass put a human face on the horrors of American slavery. He helped convince millions that it must be abolished. He courageously spoke out against the subversion of civil rights. He expressed generous sympathy for all who were oppressed. He urged people to help themselves and fulfill their destiny. He longed for the day when men and women, blacks, whites, and everyone else could live in peace. □

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Which Is the Best Inflation Indicator: Gold, Oil, or the Commodity Spot Index?

"The editors don't agree with your claim that gold is a best indicator of inflationary expectations and economic stability."

—Dan Hinson, Managing Editor, The *Wall Street Journal* [1]

This column developed out of a running debate I've had with the editors of the *Wall Street Journal* and the *New York Times*. In the financial news, the *Times* highlights the price of oil as the best indicator of commodity prices and inflationary expectations. The front page of the *Wall Street Journal* publishes nine prices and indices, including oil and the Dow Jones Commodity Spot Index, to reflect activity in the financial markets. But neither the *Times* nor the *Journal* highlights the price of gold as an important barometer of inflation or monetary stability. Apparently they believe that oil and the commodity spot index are better indicators.

Gold Is Watched Carefully

Despite these misgivings by the establishment media, gold is not ignored. It is well known that members of the Federal Reserve Board and other central banks monitor the price of gold carefully and consider it a good estimate of inflationary expectations. Moreover, some financial observers and economists are convinced that central banks may intervene from time to time to maintain a steady gold price. According to this view, a rising gold price is undesirable because it suggests increased inflationary expectations and a potential monetary crisis (such as a run on the dollar). Thus, when the price of gold moves up "too much," central banks sell gold. At the same time, a falling gold price is undesirable because it may imply deflation and recession. When gold falls below a certain price, central banks buy or simply stop selling.

How long central bank interventionism can last is anyone's guess. But eventually the market will reassert itself, just as it does whenever a form of price-fixing occurs, and gold prices will start rising again.

A Test to Find the Best Indicator

Are the *Times* and the *Journal* right in highlighting oil and commodities in general rather than gold as a barometer of inflationary expectations? Are they justified in their anti-gold bias?

To test this theory, I constructed a simple econometric model to test how well gold, oil, and the Dow Jones Commodity Spot Index have anticipated changes in the Consumer Price Index (CPI) since 1970. In each case, I developed a least-squares regression analysis, testing the CPI against gold, oil, and the Dow Jones Commodity Spot Index for each year with a one-year time lag. (I thank Professor

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John List, economist at the University of Central Florida, for helping me develop this econometric model.) Even though the CPI has come under criticism as a measure of price inflation, I have selected it as a simple, consistent measure of price inflation.

The question to answer: Do changes in either of these commodity prices anticipate a rise or fall in the Consumer Price Index?

At first I tested to see if any of these three commodity prices predicted changes in the CPI on a monthly basis since 1970. For example, did the change in the price of oil in January anticipate the change in the CPI in February?

No Commodity a Good Short-Term Indicator

The results were discouraging. It is clear that none of the commodity prices—oil, gold, or the commodity spot index—were able to anticipate changes in the CPI from one month to the next. R-squared was 0.02 or less for each test, indicating no correlation at all. As a short-term indicator, gold, oil, and the commodity spot index are all lousy predictors of next month's CPI.

Gold Turns Out to Be the Best

However, the results were much better when we tested average annual commodity prices as a predictor of the following year's CPI since 1970. All three commodity prices showed predictable power over the long term (one year). However, it is clear from the regressions that gold was the best indicator of inflationary expectations (R-squared, 0.42), followed closely by the Dow Jones Commodity Spot Index (R-squared, 0.37), and oil was a distant third (R-squared, 0.18). In fact, it could be determined that oil was a *poor* indicator of inflationary expectations as measured by the CPI. This view falls in line with the work of energy economist Douglas Bohi, whose historical work concludes that oil has far less impact on the world economies than most economists believe.[2]

Gold as a Measure of Price Inflation

Historically, we can see how gold has significantly anticipated the rise and fall in purchasing power. When the world went off the gold exchange standard in 1971, the price of gold rose sharply from $35 an ounce to $200 an ounce, reflecting the sharp rise in commodity and consumer prices in 1973–74. Then gold suddenly topped out in 1975, about the same time the CPI rate started dropping. When consumer price inflation started moving up again, reaching 14 percent in 1979–80, gold moved in sympathy, rising from $100 an ounce in 1976 to $850 an ounce in January 1980. The long disinflationary era of the 1980s and 1990s saw a declining trend in both consumer price inflation and the gold price, although that trend may be changing again soon.

In short, it appears that the price of gold does a good job of reflecting the inflationary environment as measured by the Consumer Price Index. It is certainly a better indicator than the crude oil price.

Research by the late Professor Roy Jastram (University of California at Berkeley) suggests that gold maintains its purchasing power over the centuries. After investigating the purchasing power of gold over the past 300 years, Jastram concluded that, despite major inflations and deflations, "Nevertheless, gold maintains its purchasing power over long periods of time, for example, half-century intervals."[3]

Based on the above new evidence, wouldn't it be appropriate for the *New York Times* and the *Wall Street Journal* to add gold to their summaries of the financial markets? □

1. Private correspondence, April 14, 1995. I first raised this issue in my column, "What's Missing from This Picture?" (*The Freeman*, August 1994). This column was reprinted in *The Lustre of Gold* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1995).

2. Douglas R. Bohi, "On the macroeconomic effects of energy price shocks," *Resources and Energy* 13 (1991), pp. 146–162. See also my column, *The Freeman* (August 1994), pp. 457–458.

3. Roy Jastram, *The Golden Constant* (New York: John Wiley & Sons, 1977), p. 132.

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BOOKS

Hidden Order: The Economics of Everyday Life

by David Friedman

Harper Business • 340 pages + xi pages • 1996 • $25.00

Reviewed by Douglas E. French

Anyone who has met David Friedman knows he is a man looking to pick an argument. Only the naive or foolish will attempt to joust with him. Careful study of Friedman's new book, *Hidden Order: The Economics of Everyday Life*, will make the reader a better thinker and a more skilled debater, whether the topic is economics, politics, crime, or love and happiness.

Economics is not just the study of "satisfying insatiable wants with limited resources," as so many Econ 101 textbooks contend. Economic science encompasses all human behavior: people acting rationally to reach objectives. Those objectives include such everyday dilemmas as deciding which checkout lane at the supermarket will be fastest, dating and finding the right person to marry, voting, and protecting one's property.

Friedman is at his best in the book's second half, analyzing everyday situations. For instance, the public is outraged, believing that criminals are getting off lightly because of plea bargaining. But Friedman points out that punishment is more severe because of plea bargaining. How?

Defendants must decide whether they wish to roll the dice by going to trial with only a 10 percent chance of acquittal, or take the sure bet of some jail time. Rational criminals will accept the plea bargain if it makes them better off. The district attorney's limited budget can then be spent convicting those who won't take a deal. As Friedman points out, "[a]ll criminals would be better off if none of them accepted the DA's offer, but each is better off accepting."

Ever notice how many religious radio stations there are? A bunch. By comparison, the number of religious magazines, books, and newspapers is a small percentage of all print media. Why the difference? Radio broadcasts are a public good. And because people who listen to religious programs are religious, believing that donating money is virtuous, "the religious broadcaster is better able to get the listener to pay for them. The religious publisher has no corresponding advantage over the secular publisher."

Friedman also explores whether stricter enforcement of drug laws increases or decreases violence. He concludes that no matter what, "[a]ll [possibilities] imply that legalizing drugs would eliminate drug-related crime."

What's behind the decline in American marriage? A decline in family values? Hardly. It used to be that a man would marry his baker or brewer, someone who could cook and clean while he toiled in the fields. Moreover, a high infant mortality rate required that a woman produce children continually, so that the couple might see two or three survive to adulthood. Today's conveniences and low infant mortality rate make being a housewife a part-time job. Thus, as Friedman points out, "[w]ith fewer children and less spouse-specific capital, the costs of divorce are much lower than they were a few generations ago."

Unfortunately, before Friedman gets to the fun stuff, he spends a third of the book getting bogged down with David Ricardo's debunked labor theory of value, which Karl Marx embraced. Friedman writes: "price equals both cost of production and value to the user, both of which must therefore be equal to each other." Subjective value, the insight of the Austrian school, is never mentioned. If value exactly equals price, why would anyone ever make the trade? Besides, what I pay for an item or service, does not depend on how much it cost to be produced, but the value I place on the item at that particular moment.

Despite those shortcomings, *Hidden Order* is a book spiced with jokes, anecdotes, and riddles that will keep the reader laughing, learning, and (especially) thinking. □

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Government: Servant or Master?

Edited by Gerard Radnitzky and Hardy Bouillon

Rodopi • 1993 • 322 pages • $50.00

Reviewed by David L. Prychitko

Years ago James Buchanan wrote *The Limits of Liberty: Between Anarchy and Leviathan* in which he argued that the constitutional and coercive authority of the state is necessary to maximize

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our liberty, but the state has broken its contractually sanctioned bounds. Once broken of its chains, the modern nation-state tends, willy-nilly, toward the monstrous leviathan that threatens, rather than enforces, people's basic liberties. That book's weaknesses lay in providing an overly abstract neoclassical model of constitutional choice that is difficult for those untrained in economics or political science to follow, and in failing to provide sustained empirical or historical examples that clearly shed light on the substantive growth of the state.

Although they aren't intentionally following Buchanan's lead, Gerard Radnitzky and Hardy Bouillon offer a solid set of philosophical, economic, and empirical arguments which, taken together, make for a fine complement to Buchanan's earlier study. *Government: Servant or Master?* draws primarily upon European classical liberal scholars, and focuses on the present expansion (and chaos) of European nation-states. Of particular concern are the goals of the European Community. As Radnitzky states in his introduction, "Their aim will be the *expansion of Leviathan from [the] national to European level, to an Euro-Leviathan* (the Maastricht Monster), among other things conceived as an institutional taxing cartel that enables the member states to maximize the spoliation of citizens" (p. XLI). Can Leviathan (let alone a burgeoning Euro-Leviathan) be tamed?

Part I of the book consists of five theoretical chapters: Arthur Seldon's "Politicians for and Against the People" is a study of the dire, politically alienating effects of the professionalization of politics. Gerard Radnitzky's "Private Rights Against Public Power" explores the classical liberal claims that political freedom can only be a consequence of fundamental economic freedom. Anthony de Jasay's "Is Limited Government Possible?" argues yes, limited government is possible, but only if constitutional commitments override the narrow interests of utility-maximizing individuals and special interest groups. Hardy Bouillon's "Mastering the Growth of Government" is quite pessimistic, building upon de Jasay's arguments that James Buchanan's earlier analysis really doesn't show how people, in forming a binding constitutional contract, will be able to overcome their own selfish interests and foster "impartial" agreements over rules. Finally, this section ends with another de Jasay chapter, "Ownership, Agency, and Socialism," which employs principal-agent problems to state or social ownership.

Part II focuses upon several illuminating case studies: Peter Bernholz discusses the problems of hyperinflation and the need for credible institutional reforms—specifically rules that restrict the discretionary power of the state—to fundamentally curtail inflationary potential, while Gerhard Schwarz and Hans Otto Lenel discuss Switzerland's current economic floundering and the interventionist "social" market economy of post-World War II Germany, respectively. Antony Flew criticizes the state-monopoly system of education in the United Kingdom, while Jacob Sundberg turns the book's attention to the crippling Swedish tax system and its present crisis. Steve Pejovich focuses on the economic, political, and ethnic crisis of the former Yugoslavia, supplying his classic property rights analysis to explain its explosive rates of inflation and problems of merely reforming socialist categories of ownership, rather than fundamentally attempting to generate private, marketable ownership claims.

The book is rounded off, in Part III, by Peter Bernholz's keen discussion of totalitarianism as the "limiting case" of the state, the "institutional antipode to a free society."

This book is mixed reading. The authors' styles range from the philosophically analytical (if not overly italicized) of Radnitzky to the clearly written (but overly romantic) of Arthur Seldon; in one sense the collection as a whole seems a bit unwieldy to be read seriatim: readers will probably tend to read two or three chapters that fit their interests or academic backgrounds rather than devour the entire book. In light of this, and the publisher's series, most will find *Government: Servant or Master?* suitable to add to college or research libraries rather than their own personal collections.

The topics in this book suggest that Buchanan's pessimism of the 1970s is shared by many classical liberals of the 1990s, even though this age has produced, in the name of greater freedom, tremendous constitutional upheaval in the former Yugoslavia, Soviet Union, and other socialist countries in Eastern Europe. And when we witness the rise of individual nation-states agglomerating into a larger inter-nation constitutional matrix, such as the European Community, one wonders whether Buchanan's public-choice model of rational *individuals* agreeing to general rules, as if under a veil of ignorance, can help thwart the coming of a possible Euro-Leviathan. After reading this book, I myself have become a bit more skeptical. □

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Austrian Economics: An Anthology

edited by Bettina Bien Greaves

The Foundation for Economic Education • 1996 • 176 pages • $14.95 paperback

Reviewed by Robert Batemarco

In my years in academia, I've attended many seminars in Austrian economics and even taught a few. Indeed, *Austrian Economics: An Anthology* reminds me of nothing so much as one of those scholarly assemblies—a seminar between covers, if you will. Led by Dr. von Mises, assisted by Dr. Böhm-Bawerk, and graced with the presence of "visiting professors" Bonar and Seager, this seminar delves into the origins and first principles of Austrian economics. All of these proceedings take place under the watchful eye of "Dean" Bettina Greaves, who went to great lengths to assemble the essays that make up this volume and wrote an enlightening introduction to it.

In any discussion of the origins of Austrian economics, the rivalry between Vienna and Berlin looms large. H. R. Seager's discussion of the contrasts between the Austrian School and the German Historical School is enlivened by details of the actual participants available only to an eyewitness. While showing utmost respect for the scholars of both schools, Seager does not shrink from the conclusion that, contrary to the assertions of the German Historical School, all the historical data in the world can teach us nothing without being sifted through a filter of theory. The inadequacy of that approach comes through clearly in his description of chief German Historical School proponent Gustav Schmoller's attempt to explain value and price. "In this part of his lectures, the student meets only confusion, loose definitions, description instead of careful analysis, and conclusions arrived at, no one knows exactly how. His elucidation of the action of demand and supply in fixing price seemed to me especially unhappy."

While Seager describes the products of this approach, Mises, in his previously published contributions here (including "The Historical Setting of the Austrian School" and "The Epistemological Problems" from *Human Action*) analyzes its essence. While Seager accords Schmoller and his colleagues the status of "economist," Mises correctly sees their approach as the nullification of economics. To Mises, economists exposed the dispensation of privileges by governments to their sustainers for the injustice that it is. The German Historical School, however, glorified government and its prerogatives and sought, with undeserved success, to brand laissez faire a parochial and outmoded doctrine. Mises' penetrating mind cut through their muddled methodological arguments to unearth the method in their madness: "The only way to refute economists' critique of interventionism is to deny the very existence of economics as a science."

Where the Austrians' method of making logical inferences from the irrefutable axiom of human action (i.e., that people seek to achieve goals) was attacked by the Germans as yielding nothing but tautologies, Mises correctly insists that tautologies do indeed add to our substantive knowledge. This is especially true when the adherents of the Historical School were busy denying these tautologies—with the predictable tragic consequences.

In "The Austrian Economists," Böhm-Bawerk steers the "seminar" away from the methodological battles, which he sees as distractions, however necessary they may be, to the crux of the matter, namely, the reform of positive economic theory. He does not dwell here on his own monumental contribution to our understanding of capital and interest, but rather on how Austrian economics stands the labor theory of value on its head by showing that value determines cost.

Make no mistake about it. It was their value theory which made it possible for Austrian economists to elucidate such issues as the role of money in economic activity and the inability of socialism to engage in rational economic calculation. Thus, it is appropriate that the first essay in this collection is James Bonar's lengthy appreciation of Austrian value theory. While he errs in one particular, claiming that Austrian economic ideas are, "substantially identical with those of Jevons," a fellow discoverer of the marginalist principle who stressed the use of mathematics to advance economic theory, elsewhere he captures a truth which only Austrians have taken to its ultimate conclusion: "Objective value in exchange is the resultant of subjective valuations of the competing individuals in a commercial society."

As any good seminar does, this book provides a "reading list" (References for Further Study), not to mention an index. To the serious student seeking real intellectual stimulation and a thorough grounding in Austrian first principles, I would say to sign up for this course before it fills up. □

Dr. Batemarco is director of analytics at a marketing research firm in New York City and teaches economics at Marymount College in Tarrytown, New York.

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The Heroic Enterprise: Business and the Common Good

by John M. Hood

Free Press • 1996 • 266 pages • $25.00

Reviewed by William H. Peterson

In his introduction John Hood, president of the John Locke Foundation in Raleigh, North Carolina, and a former Bradley fellow at the Heritage Foundation, notes that among free-market thinkers from Adam Smith to Milton Friedman, he has been especially inspired by Henry Grady Weaver. A devotee of Rose Wilder Lane and her *The Discovery of Freedom*, Weaver published his own interpretation and amplification of her work as *The Mainspring of Human Progress.*

Weaver, a General Motors corporate manager and number-cruncher, observed man's long, arduous, and often bitter struggle to overcome scarcity. Famine struck Ireland in the 1840s, for example, and has ravaged Africa and Asia in this century. Weaver's sharp eye saw scarcity as exacerbated by government intervention and overcome by private property rights.

Yet private property and American business continue to be savaged by the intelligentsia and the mainline media. Why this downgrading of American business? Hood suggests as one reason the dominance of negative business characters in Hollywood movies like *Norma Rae* and *Wall Street*. He cites analogous TV-series research by the team of Linda Lichter, Robert Lichter, and Stanley Rothman in which they find 58 percent of big-business characters since 1965 portrayed as villains.

In like manner, liberal politicians and media mavens fume as AT&T and other big businesses resort to downsizing, re-engineering, outsourcing, cost-cutting, consolidating, merging, and other vicious commercial practices. Critics too quickly forget their own innate cost-cutting and outsourcing in their own housekeeping and personal business. They still manage to wax indignant and rant: Is there no sense of business decency left? Is not American business guilty of putting property rights over human rights? Where, o where, has fled the social responsibility of American business?

Hood answers by discussing Milton Friedman's provocative view that "only people have responsibilities"; businesses have no responsibilities as such. As Friedman explains, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits, so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

So three cheers for *The Heroic Enterprise*. It makes waves and should be read by all those in high places who view market solutions as inferior to government solutions.

Modern liberals should see that capitalism and private property, not "social responsibility," release the energies of inventors and entrepreneurs. Enterprise induces savers and investors to serve and be served; it brings income and jobs into being, simultaneously conserves and expands natural resources, advances occupational health and safety, and improves wages and hours. Most importantly, under the sovereign direction of the consumers equipped with their life-and-death power of the purse, enterprise democratically causes producers to run scared and ever try to put out more for less. And it does all this on a strictly voluntary basis as opposed to the baldly coercive power of the state.

So who is the more apt to serve the public and serve it well—the businessman or the politician? Taking a page from philosophers George Santayana and Michael Novak, John Hood pleads with businessmen to think highly of their calling—capitalism. What a remarkable system, what a godsend to man! Yet so unappreciated and ill-understood, so hated and despised. Shakespeare's Puck had it right: "Lord, what fools these mortals be!" □

Dr. Peterson is an adjunct scholar at the Heritage Foundation and distinguished Lundy professor emeritus of business philosophy at Campbell University, Buies Creek, North Carolina.

Generation X Goes to College: An Eye-Opening Account of Teaching in Postmodern America

by Peter Sacks

Open Court • 1996 • 201 pages + index • $16.95 paperback

Reviewed by Steven Yates

This is a disturbing book—all the more since the pseudonymous author is no friend of the free market. *Generation X Goes to College* is quite unlike the recent academic whistle-blowing efforts of Dinesh D'Souza, George Roche, and Christina Sommers. "Peter Sacks" divides his narrative into two parts. He starts with an autobiographical account of leaving journalism to teach at a school

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he does not identify by name. In the second part, he tries to explain what he encountered there.

Sacks found students—popularly labeled "Generation X"—whose indifference to learning was exceeded only by their brazen rudeness and sense of entitlement. His attempts to motivate them met with resistance; some simply walked out on him. They complained to his superiors about low grades and demands for serious work. One even threatened litigation.

He found himself at the mercy of these students via teaching evaluations, used by tenured faculty to assess their juniors. One of his colleagues quietly advised him, "teach to the evaluations." Still a journalist at heart, who taught from love of his subject, he decided to "go undercover" and find out what it takes to succeed as a professor in the 1990s.

To conduct research for his "Sandbox Experiment," Sacks designed a survey to find out what students want from professors. The results are illuminating. Forty-one percent cited *entertaining* as the most important quality in a professor. Thirty-seven percent cited *friendliness and warmth*. Just 52 percent thought grades should be based on performance. As for studying, 35 percent studied less than one hour per day.

The second half of *Generation X Goes to College* searches for reasons. Sacks argues that what has happened to education cannot be understood apart from the cultural shift that set the stage for Generation X, the shift from *modernism* to *postmodernism*. Modernism respected science, progress, objectivity, reason; it valued hard work, self-discipline, and respect for authority. Postmodernism is skeptical and relativistic; it replaces the intellectual quest for truth with the subjectivity of feeling, and distrusts all authority. Postmodernism is, in other words, profoundly anti-intellectual. In the cultural ambience of postmodernism, the classroom is just one more "text" to be deconstructed.

Now to be sure, few GenXers have heard of, much less read, postmodernist writers such as Lyotard, Foucault, and Derrida. But Sacks makes a compelling case that the postmodernist *ethos* is all around us—from the spectacle of mass-produced images and the dominance of entertainment values; the influence of television, MTV, and other manifestations of pop culture; movies, such as *Forrest Gump*, which implicitly reject the intellect; to the repudiation of traditional institutions and distinctions based on merit and ability.

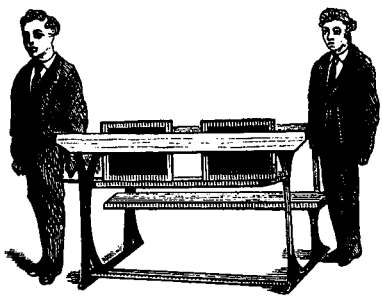
What is to be done? Here, *Generation X Goes to College* falls short. One reason is Sacks's own left-of-center politics. The ethic of entitlement is not new, after all; as he notes himself, it started with the New Deal and has been spreading ever since. After World War II, we saw more and more consequences of the idea that government owes citizens an education. Public universities burgeoned and standards dropped until students were admitted regardless of their level of preparation. Populist egalitarianism did the rest. No longer content to lower standards until all students are equal, colleges have proceeded to the absurd point where students *and their teachers* are equals!

Sacks offers three options: (1) capitulate; (2) resist with "rear-guard action"; or (3) compromise. He chooses compromise. This is not good enough. To be sure, Sacks criticizes grade inflation, open admissions, and the entitlement ethic. But he basically accepts postmodernism. To my mind he hasn't attacked the problem deeply enough. His real targets should be entitlements and egalitarianism generally, not merely as they apply to GenXers. These, after all, are not *products* of the postmodernist ethos, they *propelled* it.

As Sacks admits, the people hurt most by the present situation are the good students, those who set out to *earn* high marks. Dismissed as "geeks" and "nerds" by their peers, and unnoticed by a cynical class of tenured professors, achievers are all but invisible in a system aimed at the lowest common denominator. The same holds for the would-be professor who loves his subject and has high potential as a scholar, but is not a classroom Seinfeld or glorified motivational speaker.

Entertainment, of course, is not bad in itself, but when it becomes life's (or a culture's) dominant, all-consuming passion, it spells trouble. When academic culture capitulates, the situation becomes worse. For behind the glitzy facade GenXers accept is—quite literally—*nothing*, meaning that the logic of postmodernism is personal, educational, and cultural self-destruction. □

Dr. Yates, a former philosophy professor, is currently adjunct research fellow with the Acton Institute for the Study of Religion and Liberty. He is the author of Civil Wrongs: What Went Wrong With Affirmative Action *(San Francisco: ICS Press, 1994).*



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Faith & Credit: The World Bank's Secular Empire

by Susan George and Fabrizio Sabelli

Westview Press • 1994 • 282 pages • $63.50 cloth; $16.95 paperback

Reviewed by Ken S. Ewert

Someone once put forth the aphorism: "the enemy of my enemy is my friend." Presumably if you're against something and I'm against that same thing, we are allies in a common cause. Believers in limited government and free markets have long criticized the World Bank. It props up corrupt Third World governments and subsidizes the statist policies that keep poor people poor, and plays a "reverse Robin-Hood" role in transferring resources from middle-class taxpayers in the West to politically connected elites in the Third World. The authors of *Faith & Credit: The World Bank's Secular Empire*, Greenpeace board member Susan George and University of Geneva professor Fabrizio Sabelli, are also against the World Bank. In their view, the World Bank funds projects that disrupt the environment, restrict the social programs and inflationary schemes of Third World governments, and promotes downsizing of public employment and bureaucracy. Clearly in this case, the opponent of our opponent is neither our ally nor a friend to freedom.

The authors believe that "the market" cannot help the poor because it cannot hear their voices. George and Sabelli more or less ignore the amazing cases of market-oriented countries such as Taiwan or South Korea that have moved from poverty to relative wealth in a very short time. Their comment on the free-market success of such countries is: "150 countries cannot become Asian dragons (if only because the planet would collapse)." Their answer to Third World poverty is stronger and more interventionist Third World governments. Currency restrictions and artificial exchange rates, heavy state involvement in the economy, and protectionism (the early use of which they believe explains the later economic success of Korea and Taiwan!) are all good. Apparently what the Third World needs is more government control.

Forgive my impatience, but after laboring through many, many tiresome pages of this book I have to ask: Where have these people been for the past 50 years? After failure upon failure of these policies, in country after country, what hope is there that these interventions might still be made to work? Has it not been adequately demonstrated for all to see that there are things called economic laws that operate regardless of one's desire otherwise? Is reality optional?

This book is another (not particularly interesting) example of the close link between statism's old guard and its new: Reds (socialists) and Greens (radical environmentalists). Both groups share a hatred of economic freedom. Only the Left's rationale has changed with time: the Reds argued that capitalism couldn't lift the poor out of their condition, the Greens believe that capitalism is in fact too efficacious—what we need is not *that* kind of development, but rather "sustainable development."

In the chapter on the World Bank and the environment the authors warn us that the Bank's future depends on whether or not it recognizes "the environment as the inescapable partner in all its development endeavours." This is noble-sounding rhetoric, but what does it mean? Should the environment carry as much, or perhaps more, weight than the needs of the world's poor? It is clear that the authors see a fundamental clash between people acting to improve their economic condition and the environment.

Is the authors' critique of the World Bank on behalf of the World's poor, or on behalf of the environment? This query gets to the schizophrenic heart of the new Left. One has the sneaking suspicion that while much lip service is devoted to "helping poor people," it is the latter rationale, an antidevelopment and antihuman philosophy of exalting nature over man, that motivates the New Left.

Free-market advocates unashamedly assert that people have priority over creatures. (I believe the only adequate basis for this premise is that God has created man in His image, and has given him dominion over all other created things.) However, unlike the Left, we see no contradiction between economic freedom and environmental protection. Recognizing and consistently upholding private property rights will both lift the poor from their poverty and protect the environment by making each individual responsible for his "piece" of the environment (his property) and by protecting him from invasion by others who may seek to pollute or abuse his property.

The World Bank must be abolished. Not because it promotes economic freedom and property rights, but because it is inherently opposed to them. □

Mr. Ewert is the editor of U-Turn, *a quarterly publication addressing theological, political, economic, and social issues from a biblical perspective.*

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Oil, Gas, & Government, 2 Volumes

by Robert L. Bradley, Jr.

Rowman & Littlefield • 1996 • 1,997 pages • $195.00

Reviewed by Richard W. Fulmer

Untold damage has been done by governments that restrict human action in attempts to correct perceived "market failures." Like a pebble dropped in a pond, each government action ripples through the economy in ever-widening circles, yielding unforeseen consequences that create demands for additional government intrusion. Ironically, when the "market failure" that provided the excuse for the initial intervention is closely examined, it usually either vanishes or turns out to have been a failure of government instead. Robert Bradley's new book, *Oil, Gas, & Government*, takes a critical look at the supposed "market failures" of the petroleum industry, and at the confusing swirl of regulations that our government spewed out to deal with them.

Many such regulations stemmed from attempts to deal with problems created by the rule of capture, by which oil is owned by whoever pumps it out of the ground—regardless of under whose land the oil was originally located. This rule created an incentive for oil producers owning or leasing adjacent pieces of land lying atop the same reservoir to pump out the oil as fast as possible despite any reservoir damage that such rapid production might entail. In addition to the loss of recoverable oil, economic losses were considerable, as producers drilled more wells than would have been needed simply to recover the oil. Bradley points out how a "homestead" approach to the ownership of oil would have avoided the destructive competition to be the first to drain the reservoir. Under Bradley's scheme, ownership of an entire reservoir would go to the individual or company that first discovered or "homesteaded" it, and not necessarily to the owner of the surface rights.

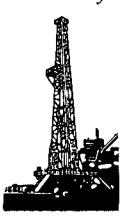
Even with the court-imposed rule of capture, however, oil producers could still have solved the problem of overdrilling and too-rapid production on their own, had government left them free to act. Free companies would almost certainly have sought to reduce drilling costs by "unitizing" their fields, i.e., letting one of their number control production, while all shared in costs and profits according to a negotiated formula. Antitrust laws, however, prevented such cooperation for decades.

During both World Wars, federal government attempts to control oil production to ensure a steady and affordable fuel supply for the military backfired. First, the government inflated the money supply to help finance the wars, then responded to the resulting rise in oil prices with price freezes. By keeping the price of fuel below its market-clearing price, regulators encouraged consumption and discouraged production—the precise opposite of what was desired. After each war, these emergency controls were dropped. In both cases, decontrol was followed by a boom in production and a drop in prices—clearly revealing the counterproductive nature of the government's intervention.

To finance the war in Vietnam and the "War on Poverty," President Lyndon Johnson again inflated America's currency. Johnson's successor, Richard Nixon, attempted to treat the inevitable symptoms by "freezing" wages and prices. These controls, coming during the driving season and before winter, locked in seasonally high gasoline prices and low fuel-oil prices. Refiners were thereby encouraged to substitute gasoline production for fuel-oil yields. With the coming of cold weather, oil supplies became tight and the government had to loosen its policies. The "Energy Crisis," along with mandatory allocation and conservation, was already well under way before OPEC announced production cutbacks on October 17, 1973, to protest U.S. policy in the Middle East. Clearly, the real cause of the oil shortage in the seventies was U.S. government policy, and not the Arab oil embargo.

Oil, Gas, & Government fills an important niche. It documents every federal oil and gas regulation since 1861, their rationales, and their results. Extensive footnotes, three indexes (by name, subject, and legal case), and a good appendix provide easy access to the information contained in the book's two volumes and nearly 2,000 pages. By filling this niche with a work solidly based in free-market economics, Dr. Bradley's book is well positioned to have a far-reaching impact. His lead is one that other free-market economists would do well to follow. Industries, such as shipping and railroading, also offer both compelling histories, and heavy legacies of destructive government meddling. Similar works documenting these areas would provide powerful support in the drive toward economic freedom. □

Mr. Fulmer is a systems analyst in Houston, Texas.



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A Moment on the Earth: The Coming Age of Environmental Optimism

by Gregg Easterbrook

Viking • 1995 • 745 pages • $27.95

Reviewed by Doug Bandow

Environmentalists have long enjoyed the political high ground. After all, who could be against clean water? As a result, over the last two decades the environmental movement has swept most everything before it. The result has been draconian legislative enactments, massive regulatory bureaucracies, and inexplicably complex rules.

But as compliance costs have risen, so has political resistance. Common people have grown less willing to see their interests sacrificed willy-nilly for measures with only marginal environmental benefits. Thus, many environmental activists have moved beyond shrill denunciations of opponents to apocalyptic threats. Their refrain has increasingly become: if you don't do as we say, the world is doomed.

Not so fast, argues Gregg Easterbrook. In his mammoth *A Moment on the Earth*, he contends that "the Western world today is on the verge of the greatest ecological renewal that humankind has known; perhaps the greatest that the Earth has known." The book has it all, or almost. It is comprehensive, well researched, and well written. Equally important, its author is credible to those sympathetic to the environmental movement, a liberal who has written for such publications as *Newsweek* and the *New Republic*.

His liberal credentials account for the book's main flaw: a failure to fully appreciate the value of freedom and the way free markets operate. This occasionally leads to nonsensical asides, like when Easterbrook blames capitalism for homelessness and drug shootouts.

Easterbrook begins by describing a predatory falcon swooping down upon a hapless pigeon. There is nothing unusual about the eternal struggle between prey and predator, which he terms "the dance of ages"—except that this particular skirmish is occurring in Manhattan. Although man may view himself as omnipotent, Easterbrook shows man's impact to be, in fact, quite limited.

Easterbrook backs up his argument with facts. Only two percent of America and eight percent of the world are "built-up." Forests are expanding in the United States and Europe. Farmland, no longer needed for agricultural production, is returning to forest or prairie. And most of what man has done could be undone by nature which, Easterbrook notes, "rearranges entire continents, a task people cannot imagine, even in the abstract."

A Moment on the Earth goes on to debunk romantic rhapsodies about nature and defend mankind. "Humanity's vogue for culpability regarding its own existence must be exceptionally difficult for nature to fathom," writes Easterbrook, since man's activities are "in strict accord with the behavior patterns of other species, most of which attempt to expand to fill the maximum area available to them." Nor is there anything wrong in transforming nature.

Easterbrook even includes a wonderful chapter titled "The Case Against Nature." Nature, he writes, is dangerous, generates pollution, kills humans and animals alike, fosters disease, and is self-destructive. And this is never going to change, absent human intervention, since "nature lacks morals, which are artificial systems requiring forethought."

These philosophical musings behind him, Easterbrook moves to the specific issues that dominate environmental debates today. He proceeds issue by issue, largely dismissing warnings of imminent ecological disaster. For instance, he concludes that the problem of acid rain is "genuine but exaggerated, subject to correction surprisingly quickly at reasonable cost." Similarly positive are his assessments of a variety of other problems: air pollution (overall air quality has been rising), the spotted owl (it is neither endangered nor a separate species), chemicals (they are far less dangerous than charged), global warming (warnings about the planet heating up appear to be as overstated as those about the imminence of a new Ice Age), energy (supplies are plentiful), and many, many more.

In the main, Easterbrook draws sensible policy conclusions from these facts. But his liberal soul occasionally reasserts itself, to bizarre effect. For instance, he acknowledges that the costs of recent regulatory initiatives, like the 1990 Clean Air Act, exceed their benefits. No matter. Opines Easterbrook: "in the main environmental initiatives ought to be considered worth the price unless proven otherwise, with the burden of disproof upon opponents."

Nevertheless, the book is truly a work that deserves wide attention. Its importance comes not only from the fact that it makes a powerful case for environmental optimism, but that it specifically addresses those people who have been most concerned about the future.

Calls for ecorealism are not new, but Easterbrook has issued a particularly compelling one.

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Paradise may not beckon, but, as he concludes: "The arrow of the human prospect points upward." □

Mr. Bandow is a senior fellow at the Cato Institute and the author and editor of several books, including The Politics of Envy: Statism as Theology.

The Good Life and Its Discontents: The American Dream in the Age of Entitlement

by Robert J. Samuelson

Times Books • 1995 • 293 pages • $25.00

Reviewed by Thomas J. DiLorenzo

The Good Life and Its Discontents, by journalist Robert J. Samuelson (no relation to the economist Paul Samuelson), is a well-written exposition of some of the failures of interventionist economic policy over the past 50 years. He roundly condemns this "age of entitlement," defined not just in terms of the taxpayers' incomes that special interest groups believe they are "entitled" to, but as "the conviction that we could completely control our economic, social, and political surroundings" with interventionist economic policies.

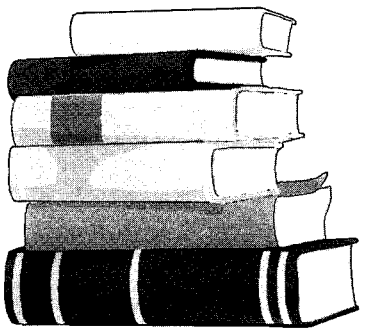
His thesis, in other words, is similar to F.A. Hayek's "fatal conceit," the idea that "planners" could somehow plan an economy better than the free market. As interesting as Samuelson's book is, it does not come close to matching the depth of Hayek or of many other writers familiar to *Freeman* readers who have analyzed these same topics for the past several decades. Samuelson's book is important not so much for its content, but for the fact that the author is a respected "mainstream" journalist (who writes for the *Washington Post*!) who has concluded that the welfare state has indeed been a monstrous debacle.

Samuelson asserts that Americans are an extremely unhappy lot not because their lives haven't materially improved over the past several decades —he shows that they have —but because they have been misled, mostly by government propagandists and their intellectual supporters, into believing that they can achieve a more or less "perfect" world —if only government is given sufficient power. We supposedly suffer from what economists call the "Nirvana Fallacy" —comparing the real world with a utopian ideal will always make the world appear to have "failed."

Samuelson smashes the "huge conceit" of the Keynesian economists of the 1960s (especially James Tobin and Paul Samuelson), who arrogantly believed that under their expert guidance "the economy could be manipulated for the larger social good." The biggest disappointment of the book, however, is that Samuelson then endorses the misguided Keynesian view that the sole cause of the Great Depression was the desire by governments to stay on the gold standard. He ignores the Fed's 30 percent drop in the money supply from 1929 to 1932; the fact that President Hoover increased government spending by 65 percent in just four years and raised the top marginal tax rate from 24 percent to 63 percent; Roosevelt's massive 1933 tax increase and his economic planning program known as the "New Deal"; and the Smoot-Hawley tariff, which precipitated a worldwide trade war that reduced the volume of world trade by a third in just three years (1929-32). Samuelson is also unaware of the Austrian School's "boom and bust" theory of the business cycle, which provides the best explanation of the Great Depression as an inevitable consequence of the Fed's monetary expansion during the 1920s.

Samuelson makes a strong case that Americans need to return to an ethic of individual responsibility. "People ought to do more for themselves and expect government to do less." Amen. But then he soft pedals on this, his strongest point, by noting the shortcomings of individual responsibility (i.e., some people can't or won't be more responsible). This is an odd feature of Samuelson's writing: He seems to believe that economic truth can be gleaned by consensus. The free market has its virtues, but so does government intervention, so that "the truth" must lie somewhere in between. This might be a good strategy for selling books —appealing to virtually everyone's biases —but is an annoying distraction in an otherwise useful and welcomed critique of the failures of social engineering schemes over the past half century. □

Dr. DiLorenzo is professor of economics at Loyola College in Maryland.



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Travels with a Hungry Bear: A Journey to the Russian Heartland

by Mark Kramer

Houghton Mifflin Company • 1996 • xii + 320 pages • $24.95

Reviewed by E. C. Pasour, Jr.

Mark Kramer, on assignment for the *New York Times Magazine,* visited the Soviet Union several times, beginning in 1987, to explore its well-known agricultural problems. This account of Kramer's journeys shows why neither *perestroika* nor privatization efforts following the breakup of the Soviet Union have worked.

Agricultural productivity in the former Soviet Union was (and continues to be) stymied by the political and economic system—not by lack of fertilizer, modern machinery, or other technology. Managers of collective farms could not even make key decisions like when to plant or which crops and livestock to produce—these decisions were made in Moscow. Central planners, however, do not have and cannot obtain much of the highly specialized information relating to time and place conveyed through price and profit signals in a market economy. This book is a case study of the problems that arise when this lesson is ignored.

Gorbachev's *perestroika* reforms were fundamentally flawed—the missing ingredient was private property. Meaningful reforms were precluded because he had stipulated that all reforms were to be "fully based on the principle of more socialism"!

Perhaps just as importantly, use of economic incentives that led to increased output and wages for some workers inspired fierce envy in many people. Two generations of communist doctrine emphasizing "fair ownership" of wealth had elevated envy to a patriotic motive. Kramer found that "keeping down the Ivanovs" in that collectivist regime was what "keeping up with the Joneses" is in the West.

The output of peasants' private gardens on the collective farms, however, shows the power of economic incentives. A third of the nation's milk, meat, eggs, and vegetables, and sixty percent of potatoes and fruit came from the two percent of farmland in private plots. Despite the popularity and productivity of private plots, innovative but basic market activity, such as hiring labor to work in the private gardens, inspired envy and vandalism.

Moreover, envy continued to stymie economic reform following the breakup of the Soviet Union. Traders obtaining goods from corrupt clerks at controlled state prices increased the already pervasive antipathy toward "middlemen." In this climate, Yeltsin's privatization decrees in agriculture proved to be unenforceable. Aspiring independent farmers were unable to obtain land, equipment, and supplies except through the state distribution system still largely controlled by the chairmen of the collective farms.

The trials of converting the Soviet collectivist system to a market economy are far from over. Kramer, in an afterword written in 1995, points out that farm output is down by one-fourth since the demise of the Soviet Union and that large state-owned collectives still control more than 90 percent of Russian farmland.

Travels with a Hungry Bear is a highly readable account of the pernicious economic and cultural effects of collectivism in the former Soviet Union and the destructive nature of its legacy. Widespread adherence to collectivist dogma, instilled and nurtured by the state over several generations, makes the always difficult transition to a market economy even more problematic. □

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"It would seem that no advanced civilisation has yet developed without a government which saw its chief aim in the protection of private property, but that again and again the further evolution and growth to which this gave rise was halted by a 'strong' government. Governments strong enough to protect individuals against the violence of their fellows make possible the evolution of an increasingly complex order of spontaneous and voluntary cooperation. Sooner or later, however, they tend to abuse that power and to suppress the freedom they had earlier secured in order to enforce their own presumedly greater wisdom. . . ."

—F.A. HAYEK, *The Fatal Conceit*

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